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NEWS SUMMARY

GENERAL

Bhutto sentence poses dilemma

Pakistan's Supreme Court confirmed by a 4-3 majority the death sentence against deposed Prime Minister Zulfikar Ali Bhutto.

The verdict presented military ruler General Zia-Ul Haq with a crucial political and legal dilemma, for it was much closer than expected.

Reaction in the country was subdued due to the Government's massive security precautions, and demonstrations were small-scale.

Mr. Callaghan appealed to Pakistan to spare the life of Mr. Bhutto. Back and Parliament Page 10

Zaire force

Belgium has sent 250 paratroopers to Zaire after reports of fresh unrest in the Kinshasa area. The move is expected to unleash further controversy over Belgium's role in Zaire.

'Joe' arrested

Rome police have arrested "Joe the Greek," sought by Britain in connection with attempted murder and armed robbery. His real name is Jordanis Vratsides.

Canal fears

Britain's canal system is grinding to a halt. No new materials or fuel have been ordered since December, and the staff are leaving in despair, according to the British Waterways Board. Page 6

Prison protest

Prison officers protesting at the Provisional IRA killing of retired prison officer Patrick Mackin and his wife Violet imposed a 24-hour ban on visits to Ulster's four jails. Three men are being questioned about the murder.

Lorry law attack

The UK Government was attacked by Transport Association director-general Hugh Featherstone for failing to oppose EEC transport policies before they became law. The criticism came yesterday on the eve of the European Court of Justice decision on the use of tachographs in lorries. The court is expected to tell the UK to fall in line with EEC laws.

Police raid

Police were questioning 30 people about alleged social security frauds after about 70 police detectives raided homes in Hampshire and Wiltshire.

Tito denial

The Yugoslav Government denied that President Tito had divorced his wife Jovanka, or married opera singer Gertrude Munitic.

Happy landings

Red and white lights are to be installed at Heathrow Airport to enable pilots to approach runways and land aircraft more accurately. Page 8

Briefly . . .

Boy, aged 15, who stole about £2,500 from a Japanese bank by waving a toy gun and a knife, told police it was the best way to be expelled from school.

Sara Jane Moore, who is serving a life sentence for trying to kill former President Ford, escaped from jail in West Virginia, but was later recaptured.

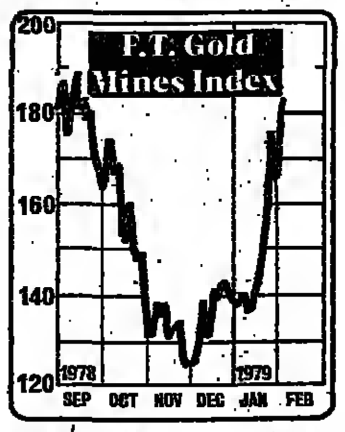
Residents were evacuated from their estate near Bath after 4,500 gallons of petrol were put in their communal central heating tank by mistake.

Evita stars David Essex and Elaine Page were nominated show business personalities of 1978 by the Variety Club of Great Britain.

BUSINESS

Equities down 5.9; Gilts ease further

● EQUITIES retreated further in the face of increased inflationary and interest rate pressures and the FT 30-share index closed at the day's lowest of



454.8, a loss of 5.9. Oils and South African Gold resisted the trend. The Gold Mines index rose 2.4 to 183.8.

● GILTS had marginal falls at the longer end extending to ¼ and the shorts rescinded small gains to close a shade easier on balance.

● STERLING rose 55 points to $1.9950 and the trade-weighted index was up at 63.4 (63.3).

● DOLLAR'S trade-weighted depreciation widened to 8.4 per cent from 8.1 per cent.

● *GOLD fell $½ to close at $244¼* in London.

● WALL STREET near the close was up 0.34 at 824.32.

Midland lorry men settle

● WEST MIDLAND lorry drivers accepted £64 for 40-hour week with £7.75 a night subsistence allowance after 6½ hours of talks with Road Haulage Association. They retain their traditional differential over drivers in other regions with a £2.50 supplementary payment.

● NEGOTIATIONS in Geneva for new agreement to control world wheat prices could break down because of continuing differences between U.S. and most of its trading partners. Back and Page 31

● NATIONAL COAL BOARD plans to spend £300m over the next eight years to build or refurbish 46 coal preparation plants throughout the UK. Page 8

● SCOTCH WHISKY exports to the U.S. last year increased in volume by more than 15 per cent and double that in value. Page 5

COMPANIES

● DAIMLER-BENZ, the West German motor manufacturer, expects "satisfactory results" for 1978, with profits running at the previous year's level of a net DM 445m (£239.2m). Page 25

● EMI has made a $3m (£1.5m) rescue bid for the loss-making United Artists Records of the U.S. United Artists' liabilities exceed tangible assets by $32m. Page 23

● UNITECH, the electronic components concern, increased pre-tax profits in the half-year to December 2 to £1.41m (£1.13m). Page 22

● ROBERT KITCHEN TAYLOR and Co. finished the year to September 30, 1978, with record pre-tax profits of £2.18m compared with £800,000 in the previous year and a £547,000 loss in 1975-76. Page 22

● OLYMPIA and York, the private Canadian property company which has emerged as a potential bidder for English Property Corporation, has purchased 3½m Ordinary EPC shares. Page 23

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Hanimex	100	+ 13
IC Gas	386	+ 11
Int. Thomson	314	+ 24
Jacksons Bourne End	100	+ 24
Stormguard	18	+ 6
BP	950	+ 14
Ultramar	238	+ 16
Libanon	602	+ 24
UC Investments	276	+ 11
Unisel	254	+ 10
West Driefontein	£25¼	+ 1¼
FALLS		
Treas. 15pc 1996	£103½	− ½
Averys	171	− 5
Banks (Sidney C.)	92	− 5
Beecham	603	− 9
Bell (A.)	170	− 4
Costain Defd.	116	− 4
Fodens	43	− 3
GEC	317	− 5
Glaxo	470	− 5
GUS A	292	− 4
Guinness Peat	105	− 5
Hawker Siddeley	196	− 6
Hepworth (J.)	69	− 6
Heron	108	− 7
Leigh Int.	108	− 7
Lloyds Bank	280	− 5
Lowe (Robt. H.)	73	− 7
Mining Supplies	126	− 5
Moran (C.)	36	− 3
Morgan Edwards	86	− 4
Regalian	17	− 3
Status Discount	230	− 7
Williams & James	140	− 5
Sungei Krian	278	− 6
RTZ	288	− 4
Roan Cons.	100	− 10

Money supply rise may mean higher bank interest rates

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

An early rise in bank interest rates has become more likely with the publication yesterday of new official figures indicating acceleration in the rate of growth of the money supply.

All the clearers yesterday were adopting a wait-and-see attitude, but a rise in rates does not look far off. There was City speculation last night that Barclays might take the lead.

The pressures have built up after a sharp rise in money market interest rates, which have left both the clearers' base lending rates and the Bank of England's minimum lending rate lagging behind.

These forces are likely to be reinforced by the new figures, published by the Bank, showing that eligible liabilities rose by 2.2 per cent in the five weeks to mid-January.

The liabilities are a major component of sterling M3, the broadly-defined money supply, including cash and bank current and seven-day deposit accounts.

They are only a rough and ready guide to the final money supply figures, but the implication is that sterling M3 rose by between 2 and 3 per cent over the month.

This in turn indicates an underlying rate of growth of the money supply above the 8-12 per cent target range for the year to October.

While the January rise may have been artificially boosted by various exceptional influences, the trend is undoubtedly worrying at a time when the industrial disputes and pay claims have not begun to have an effect.

The figures and the money market pressures have created an acute dilemma for the authorities. Senior economic Ministers including yesterday Mr. Joel Barnett, Chief Secretary to the Treasury, have repeatedly stressed their commitment to keeping growth of the money supply within the target range.

Till now the Government has been reluctant to change MLR —12½ per cent since early November—while there was uncertainty about both the level of pay rises and their possible impact on public-sector borrowing and the economy generally.

The authorities have wanted, partly for obvious political reasons, to take stock of overall fiscal and monetary policy later on, rather than take premature, and possibly wasted, action now.

This freedom of manoeuvre may no longer exist in view of the rise in money market rates, even though there are no external pressures with sterling remaining firm.

The main question may be whether the clearers take the lead by altering their rates, or whether they wait for an indication from the Bank on MLR.

At present it looks probable that the council of the Building Societies Association will recommend no change in rates at its meeting on Thursday.

The pressure on the clearers arises because three-month inter-bank rates have risen to a level—13½ per cent—where top-quality corporate customers can in theory borrow profitably from the banks, at 13¼ per cent, though there are few signs of this yet.

There are so far only isolated cases of companies borrowing more because of the industrial disputes, and indeed in some instances cash flow has improved because of a reduction in stocks.

The main impact on the demand for loans is expected later this month, or in March.

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Turkey may need aid on far larger scale

BY DAVID TONGE

INTERNATIONAL aid to the Turkish economy will have to be on a far larger scale than had previously been believed.

International bankers now estimate the country's foreign exchange needs over the next five years at a minimum of $10bn (about £5bn) to maintain growth rates.

Last month at the Guadeloupe summit, Britain, France, the U.S. and West Germany made a political commitment to assist the Turkish economy. Since then it has become clear that the sums involved are too large for the four. They have now approached the Paris-based Organisation for Economic Co-operation and Development and on Tuesday the OECD announced that it would co-ordinate a joint aid scheme.

These developments take place against a background of continuing difficulties between Turkey and the International Monetary Fund. Negotiations for release of the third tranche of the $450m (£225m) agreement signed between the two last April have been suspended.

In Washington officials say that is because the Turkish Ministry of Finance officials involved in the negotiations are busy meeting deadlines for presenting the country's budget. But Western bankers believe that the same acrimony has emerged as in previous discussions between the government of Mr. Bulent Ecevit and the IMF.

Attention

The Fund has consistently called for austerity. In the latest discussions last month, it pressed for a 30-40 per cent devaluation, tax increases and further budgetary restraint.

Until now attention has concentrated on re-financing nearly half Turkey's total debt of $13bn (£7.5bn). It has been the biggest such operation ever mounted and is largely complete. But the banks involved are realising that even when the main items are tied up—converting the $2.4bn (£1.2bn) outstanding on the short-term controversial convertible lira deposits into seven-year money could be completed within two months—Turkey will remain desperately short of foreign exchange indefinitely.

Balance-of-payments projections imply that almost half of future export earnings will have to go to service the restructured debt. At the moment, however, oil imports alone virtually equal total revenue from exports.

Estimates of the external finance required vary according to the growth targets adopted. Turkey's five-year plan foresees a growth of 5 to 8 per cent annually and the need for $5bn (£2.5bn) foreign aid over the period. But bankers argue that it is far more likely to require between $2bn and $3bn annually, unless it cuts its growth rate hard.

They point out, however, that even Turkey's enviable 7 per cent annual growth rate in the 15 years to 1976 failed to prevent massive unemployment.

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U.S. bank wins UK tax test case

BY MICHAEL LAFFERTY

MARINE MIDLAND Bank, one of the biggest U.S. banks, has won the first round of a British tax test case which has important implications for many banks operating in the City of London.

The decision was given on February 1 by the General Tax Commissioners for the City of London following hearings in May and September last year.

At dispute was an Inland Revenue assessment seeking £1.25m of tax on the notional profits arising from an increase in the sterling value of foreign investments, without giving relief for a corresponding notional los from the translation of foreign currency borrowings into sterling.

Marine Midland confirmed yesterday that the commissioners' decision had allowed the bank's appeal. The Inland Revenue is allowed 30 days to decide whether to appeal against the commissioner's decision.

All the Inland Revenue would say yesterday was that it would take some time to consider a decision "of such length and complexity."

Hambros, the City merchant banking group, is one of the banks affected by the decision. Mr. Patrick Brennan, Hambros' chief financial officer, said: "We are very pleased indeed at the outcome."

The total amount of money involved was so great, however, that the Revenue was likely to appeal against the commissioners' decision, he said. If the Revenue should eventually win, Hambros' maximum liability is less than £4m.

The possibility of extending tax relief for exchange losses was considered in a discussion paper issued by the Inland Revenue in 1976, but Mr. Denis Healey, Chancellor of the Exchequer, said in his 1977 budget statement that no action was contemplated. He said the arguments were finely balanced and the amount of tax at stake considerable. This was later estimated at £1.5bn, assuming that the relief was extended to all companies.

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FEATURES

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Ministers seeking single-figure deals

Strike threat grows at BL

By Arthur Smith, Midlands Correspondent

SHOP STEWARDS at BL Cars' Longbridge plant, Birmingham, will recommend immediate strike action to the 20,000 manual workers there at a mass meeting today. The move marks a serious setback to management hopes of persuading workers to ignore a strike call by union leaders.

The decision marks a dramatic reverse from voting at Coventry plants earlier in the day, which indicated some opposition to an all-out stoppage. On the other hand, 800 employees at SU Fuel Systems in Birmingham voted for strike action.

The precipitate action at Longbridge will also cause concern to union leaders who had been hoping to gauge the degree of support for militant action throughout all 34 plants of BL Cars to determine whether the strike should be given official backing.

But there were doubts last night whether support for action would be forthcoming from the 700 workers at Speke, Liverpool, and the 3,500 employees at Drews Lane, the Birmingham components plant whose strike last November was the main cause of the company's poor output performance in 1978.

BL management has agreed to meet a deputation of union leaders tomorrow for talks. But it was insisting last night that no concessions could be made in the refusal to ward parity payments until they had been earned.

The two Coventry plants' verdict—Triumph, also at Coventry, with 7,000 workers, has yet to vote—was not unexpected, as employees there tend to be among the higher wage-earners.

Mr. Ray Horrocks, managing director of Austin Morris, said last night that the cost of any dispute would have to be financed from the capital investment programme. Any cuts could put as risk the long-term future of individual plants and jeopardise employment prospects.

"The longer the strike, the bigger the changes that will be necessary," he warned. If a walk-out seemed inevitable, management would be forced towards the end of this week to review investment projects, he said.

However, Mr. Horrocks pinned his hopes on the "good sense" of workers.

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Health service pay talks break down

FINANCIAL TIMES REPORTER

HEALTH SERVICE pay talks collapsed yesterday as the Government showed every intention of trying to keep certain sectors of the public services to single-figure settlements.

Pay negotiations for 33,000 water workers also broke down early yesterday morning on an offer of 15.88 per cent. Local-authority union negotiators are certain to reject an employers' pay offer today if it is no more than the expected 8.8 per cent.

Senior Ministers decided in Downing Street to stand firm on restricting pay settlements to single figures.

Much confusion remained about how far the Government might be prepared to go within single figures to try to settle some of the public-sector disputes.

The Prime Minister indicated in the Commons, however, that although his weekend speech pointed to the possibility of even further flexibility in local-authority negotiations, he was still referring to a very small percentage improvement in pay offers, perhaps above 8.8 per cent but below 10 per cent.

Mr. Joel Barnett, Chief Secretary to the Treasury, said in Bristol that the Government would not take the easy way out and accept excessive wage settlements but would continue to defend its counter-inflation policy, even at the cost of further disruption.

"The social consequences that must inevitably follow do not offer an easy way out."

Local councils that have tried to settle outside the national pay negotiations are believed to have been told by the Association of District Councils to adhere to guidelines.

Mr. David Ennals, Social Services Secretary, told management negotiators in the health service that they must not offer more than 8.8 per cent although they had hoped for room to offer up to 9.9 per cent. The unions immediately rejected the 8.8 per cent.

Mr. Alan Fisher, general secretary of the National Union of Public Employees, said that there would be no increase in industrial action in the health service.

The union's ambulance committee, which represents 12,000 of the 17,000 ambulancemen, decided, however, to take a harder line over the services they will operate, although emergencies will be handled. The threat of intensified action by some hospital workers appears to be growing.

Mr. David Basnett, general secretary of the General and Municipal Workers' Union, said his union would suggest to the unions' coordinating committee that industrial action within local authorities should be increased.

The union was prepared to consider reducing action within the health service to allow time for a settlement. NUPE also said it was advising its members to increase action in Cabinet Ministers' constituencies.

Informal talks between employers and trade union representatives in the water industry were going on last night after Mr. Peter Shore, Environment Secretary, called in the general secretaries of the industry's unions when the full pay negotiations collapsed.

Mr. Shore urged Mr. Basnett, Mr. Fisher and Mr. Moss Evans, general secretary of the Transport and General Workers' Union, to consider seriously the latest offer from the National Water Council, which represents nine regional water authorities.

Mr. Shore told the Commons later that the breakdown of the water talks was "a major setback" with "very serious implications for industrial relations and the British economy."

He said the Government had contingency plans to keep services running. Union leaders have been told, though, that troops would not be able to maintain essential supplies.

Each union will refer the 15.88 per cent offer to its membership, without recommendation. NUPE postponed its threat to call its 10,000 members in the industry out on official strike until its water national committee meets on Monday.

Miners' leaders meet tomorrow to consider a "marginal" increase in the coal board's previous 8.5 per cent pay offer. The steel industry's biggest union wants to take its pay claim to arbitration. Back Page

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£ in New York

—	Feb. 5	Previous
Spot	$1.9920-9930	$1.9790-9800
1 month	0.52-0.48 dis	0.55-0.50 dis
3 months	1.64-1.59 dis	1.65-1.60 dis
12 months	5.40-5.20 dis	5.00-4.85 dis

Hopes rise for compromise on EEC budget

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT, IN BRUSSELS

HOPES FOR an early resolution to the dispute over this year's EEC budget improved slightly yesterday, when France indicated that it was prepared to soften its hard line and seek a compromise.

The dispute is over the European Parliament's decision late last year to add EUA 480m (£325m) to the EEC Regional Fund, thus massively exceeding its statutory authority to amend the draft budget.

The Parliament insists that its version of the budget is valid, because the Council of Ministers let it stand last November, when Britain and Italy joined forces to defeat a Franco-German move to reject the amendmeot. The EEC Commission, which administers the budget, has supported Parliament's view.

Britain has changed its miod since, however, and is accusing Parliament of over-stepping its powers. It has joioed France and Denmark in refusing to contribute enough funds this month to cover the expeoditures provided for in the Parliament's budget.

Yesterday, M. Jean Francois-Poncet, the Freoch Foreign Minister and current President of the Council of Ministers, made clear that, while his Government believe that Parliament's powers must be held in check, it was oo longer insisting that the Parliament retreat completely.

He indicated that France was now prepared to consider a compromise to incorporate the iocrease into the budget. He also watered down his Government's earlier proposals for a revision of EEC budgetary procedures to prevent a recurrence of the dispute.

National officials in Brussels have been instructed to work out precise proposals for a compromise, and France has promised to call a new council before the end of this month, if necessary, to formalise an agreement, which would then be put to Parliament for its approval.

The package is expected to iocl**de a Commission proposal for a supplementary budget contaioing EUA 200m of interest rate subsidies promised to Italy and Ireland to tempt them into joining the planned European Monetary System. These were omitted from the preseot budget.

France's shift has clearly been influenced by the forthcoming campaign for next June's direct elections to the Parliament. There have also been divisions inside the council itself over what action to take.

Urenco agrees third plant

BY CHARLES BATCHELOR IN AMSTERDAM

URENCO, THE nuclear consortium grouping Britain, the Netherlands and West Germany, has approved the construction of a third uranium enrichment plant, in Germany. The plant will be at Gronau, near the Dutch border. There are already plants in Almelo, the Netherlands, and Capenhurst, io Cheshire. The three partners also agreed to continue cooperation in Urenco for 10 more years, until 1991.

The approval for the Gronau plant follows the decision in mid-1978 to expand capacity at Almelo to 600 tonnes a year, Mr. Gijs Van Aardenne, the Dutch Economics Minister, said in a letter to Parliament.

Almelo is intended to keep a lead of 600 tonnes a year in capacity over the Gronau plant if there is further expansion. There are longer-term plans to increase capacity at Almelo to 930 tonnes.

The West German and Dutch partners will each pay about Fl 500m (£124.8m) for the first stage of the Almelo expansion to 600 tonnes. Simultaneously, Almelo's infrastructure will be developed to allow expansion to 1,000 tonnes.

No immediate decision can be expected on building Gronau since other investmeot decisions, to raise Urenco's total capacity to 2,000 tonnes, must first be made.

Colley expected to present Irish with easier budget than feared

BY STEWART DALBY IN DUBLIN

THE IRISH people can expect a mucb milder budget today than has seemed likely in recent weeks.

Mr. George Colley, the Minister of Finance has a commitmeot to cut the public sector borrowing requirement from 13 per cent of gross national product to 10.5 per cent in this caleodar year. Ireland's GNP is uoofficially, but reliably, put at £7.2bn at present.

Recently released estimates for 1979 current account expenditure and receipts show that Mr. Colley will probably be able to make the cut by almost halving the current budget deficit through holding back current account public sector spending. This means that sharp rises in direct taxation are unlikely and increases in indirect taxes improbable on a major scale.

Current spending is put at £2.67bn against receipts of £2.47bn. This leaves a current deficit of £208m against £397m in 1978. The sharp reduction in the deficit should come about primarily because taxation receipts should increase by 21 per cent on present tax rates, while public sector spending—the largest outgoing the Government faces—is heing held at a 9.2 per cent increase.

The Exchequer will also be helped, however, by an expected sharp rise in non-taxation receipts arising from the slashing of food subsidies and higher iocomes from telephones and other services.

Although the servicing of the public debt is forecast to rise by 26 per cent from £361.4m to £488m, because of a larger capital spending programme, the overall Exchequer borrowing requirement drops to £696m, equivalent to 9.6 per cent of the £7.2bn of GNP.

Put another way, Mr. Colley probably has somewhere between £50m and £60m to give away while still remaining within his 10.5 per cent limit.

Some £25m of this will probably go out in pensions and other social welfare benefits, if only to match inflation. A further £30m will probably he gobbled up by public sector pay increases, oo the assumption that Mr. Colley allows no more than a 5 per cent rise.

If the Finance Minister wants to make income tax concessions as a conoter against exorbitant pay demands in the coming year, he will probably have to find a further £70m. Last year, tax concessions, which included raising the allowances for single men by £600 and married couples by £400, cost £65m.

The intriguing question is whether Mr. Colley will use the £70m in grants which is expected from the EEC this year in return for Ireland's joining the EMS, or whether he will impose indirect taxation increases because tho money has been delayed by Community difficulties over its budget.

Seven pence on e gallon of petrol (taking it to £1 a gallon), 4p on a pint of beer (to 50p), 2½p on a small glass of spirits (to 52p), 4p on a packet of cigarettes (to more than 40p) would bring in about £50m. However, these rises would be considered stiff by the average Irishman and the consensus is that Mr. Colley could compromise by using some of the EMS grant and imposing some excise tax increases.

Lockheed verdict soon in Italy

By Rupert Cornwell in Rome

THE 29 judges of Italy's constitutional court, the country's highest legal authority, withdrew yesterday to consider their verdict in the trial concerning the Italian end of the Lockheed payments scandal. Two former Defeoce Ministers are among the defendants in the trial which has been in progress for nine months.

The judges are expected to make known their decision within a week, thus bringing to a close an affair which contributed to the downfall of Sig. Giovanni Leone, the former Italian President, who resigned last summer.

The prosecution has asked for heavy prison sentences against the two most prominent accused: the ex-Ministers, Sig Mario Tanassi (Social Democrat) and Sig Luigi Gui (Christian Democrat). The prosecution has also called for confiscation of the two men's personal wealth.

The charges which they face are of serious corruption against the state, arising out of reported payments of $1.6m by the U.S. company to secure the purchase by the Italian air force of 14 C-130 Hercules military transport planes in 1970.

Both Sig Tanassi and Sig Gui, the first former Cabinet Ministers to go before the Constitutional Court since the fall of fascism, have denied any improper behaviour.

The prosecution has asked for a total of 58 years imprisonment against nine of the 11 accused. They also include the fugitive former head of the state engineering company, Finmeccanica, Sig Camillo Crociani, and General Duilio Fanali, a former air force chief of staff.

W. Germany airs defence dilemma

BY JONATHAN CARR IN BONN

WHAT IS Herbert Wehner up to? Many astonished West Germans are asking that, following a burst of controversial comment on defence from the powerful Parliamentary leader of the ruling Social Democratic Party (SPD).

Among other things, Herr Wehner indicated that he believes Soviet armament to be defensive in character, and that the tactics of the Bonn Foreign Ministry are partly responsible for the lack of progress in the Vienna talks between the West and the Warsaw Pact which are included to bring about a reduction of forces in Europe.

Is Herr Wehner leading an SPD left-wing revolt against the policies of Chancellor Helmut Schmidt and his Defence Minister, Herr Hans Apel? Is he seeking to undermine the position of Herr Hans-Dietrich Genscher, the Foreign Minister and leader of the SPD's junior coalition partner, the Free Democratic Party (FDP)? Is he even ready to compromise Western security interests to bring further detente with Moscow—as some in the Bonn opposition parties allege?

The truth seems to be that Herr Wehner is (most successfully) stirring public discussion of a defeoce dilemma which involves the whole Western alliance and especially West Germany. The dilemma, involving the appropriate response to the build-up of Soviet medium-range nuclear rocket forces, has long been recognised but is becoming increasingly urgent.

The U.S. and the Soviet Union appear close to a second accord in their talks on strategic arms limitation (SALT). That is to say, the superpowers are reaching further accommodation on those intercootinental nuclear weapons with which each could hit the territory of the other.

Meanwhile, the East-West Mutual and Balanced Force Reduction (MBFR) talks have been dragging on in Vienna with the general aim of cutting troop levels and conventional armaments.

Between the topics covered in the SALT and MBFR talks there are medium-range nuclear rockets, an area where the Soviet Union has a big and apparently increasing advantage. With a range of up to 4,000 km, these weapons could hit all European countries presenting Europe, if not the U.S., with a strategic problem.

The question now facing Europeans is whether to try to negotiate away this existing "grey zone" disparity, for example in the context of a third round of SALT talks, or to boost their own arsenal with medium-range nuclear weapons and bargain from a stronger position.

The first option raises the question of what concessions Moscow would seek from Europeans who had little to offer on medium-range rocketry. The second option is open only if the U.S. would be willing to supply medium-range missiles to Europe and the Europeans would be ready to have them stationed on their territory.

West Germany is in a particularly difficult position. It has a long common border with Warsaw Pact countries. It has never had stationed on its territory nuclear weapons which could directly hit Soviet soil. It has not had—and insists it never will have—nuclear weapons.

It recognises that there would be serious political consequences in East and West if it even conveyed the impression that it wished to have nuclear arms. Not least, its detente policy would be endangered. With it, hopes could disappear of further improvement in relations with East Germany.

Herr Wehner has for many years played a powerful role—often behind the scenes—on behalf of West German detente with the East. It is, therefor, not surprising that he should now be in the forefront of those pointing to the dangers of a new nuclear twist in the arms race.

The one point that is certain is that Bonn will not allow itself to be put into a position where it alone has such U.S.-supplied weapons stationed on its territory. It is convinced also that the U.S. must first offer to supply the weapons so that the issue, whole alliance can debate the

Meanwhile, Herr Wehner advocates intensified efforts for progress on MBFR by raising the talks from expert to higher political level. And he suggests an East-West summit meeting on disarmament, perhaps in the context of the follow-up conference on European security aod co-operation.

France has already made a similar suggestion, subsequently supported by Herr Schmidt.

But such a conference would take time to organise — and the very number of participants would appear to exclude speedy agreement on so detailed and complex an issue as the grey zone. The current German debate has thus not settled a dilemma, merely emphasised that ao increasingly serious one exists.

Herr Herbert Wehner (letf), powerful parliamentary leader of the SPD, is stirring public discussion of a dilemma facing the whole Western alliance, namely the appropriate response to the build-up of Soviet medium range nuclear rocket forces. The problem has long been recognised and is growing more urgent.

Romanians fail to heal Soviet rift

By David Satter in Moscow

THE TALKS between Mr. Stefan Andrei, the Romanian Foreign Minister, and Soviet leaders last week ended with a small though significant Romanian concession on the need for "continued consultations" with the other countries of the Warsaw Pact.

The Romanians incurred Soviet anger in November at the Moscow summit of the Warsaw Pact when they refused to increase their defence budget or allow the closer integration of their forces into the alliance's armed forces.

East European informants here said that during Mr. Andrei's meetings with Mr. Alexei Kosygin, the Soviet Premier, and Mr. Andrei Gromyko, the Soviet Foreign Minister, neither side made any major concessions on the foreign policy differences which divide them.

It was taken as significant, however, that in the joint statement published in Pravda, the Soviet party newspaper, on Sunday, the Romanians agreed that it was necessary that consultations should continue between Warsaw Pact countries on questions involving security and the strengthening of detente.

The East European informant said that talks reduced some of the tension in relations between the countries.

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French bid to ease mounting anger over steel redundancies

BY DAVID WHITE IN PARIS

THE FRENCH Labour Ministry made its bid yesterday to apease the steel workers' nnions by offering them further measures to cushion the impact of redundancies and separate talks nn the future of the French steel industry.

But it was far from certain that Government concessions would be enough to defuse mnunting anger in the steel-making regions nver plans to cut some 21,000 more jobs. A nationwide steel strike is planned for Friday week, and M. Andre Bergeron, leader of the most moderate of the three main uninns, Force Ouvriere, has warned that "tha situation in the north, and even more in Lorraine, is becoming extremely worrying." If the Government did not come up with positive answers, he went on "the worst is tn be feared."

M. Robert Boulin, Labour Minister, opened negntiations here yesterday with the five unions invnlved — the Communist-led CGT, its Left-wing rival the CFDT, Fnrce Ouvriere, tha Christian CFTC union and the white collar workers' CGC.

The uninns have insisted nn nnt separating the question of social compensatinn from that of the Government's steel plan itself. M. Boulin nffered them further talks with M. Andre Giraud, Industry Minister, on the future of French steel, but the Government has refused to reconsider the *planned* capacity reduction.

M. Boulin also offered tn lower the early retirement threshold from 56 years 8 months to 55 years in an effort to ease the impact of job lnsses. *The Government may also* offer an exceptional extension of current redundancy benefits. But no progress was made yesterday on the question of working bours.

M. Jacques Ferry the bead of France's Steel Industry Federation, has added fuel to the dispute by alleging that amnng all the EEC's members only France and West Germany are adbering fully to the Commission's plans for reducing steel capacity.

He said the Belgians were planning to increase production, especially of bot plate and steel wire, the Italians had several projects which did not fit in with EEC plans, the Dutch abowed little inclination to share the Commission's concern, and the British, althougb showing greater respect towards the Commission's aims, were elaborating their plans without mnch consideration for Europe.

Signs of increasing labour militancy in Lorraine continued yesterday with a 24-hour strike in the iron ore mines belonging to the reginn's main steel group Sacilnr. The strike followed a similar movemcnt in other iron mines last Friday. Company management said that between 85 and 90 per cent nf miners complied with the strike call.

The case of the assault and robbery suffered by Herr Willibald Pahr, the Austrian Foreign Minister, in Strasbourg last week took an unexpected turn yesterday when one of two youths accused alleged Herr Pahr had made bomosexual advances. The Minister, who returned to Austria to hospital after the attack, has not preferred charges.

USSR raises price of oil

BY OUR VIENNA CORRESPONDENT

THE SOVIET UNION at the beginning of this year increased by 17.6 per cent the price of oil to East European states, according to figures compiled by the Vienna-based Institute on Economic Comparisons. A further rise of 4.5 per cent will come into effect next January, it says.

Prices in intra-Comecon trade are calculated annually on the basis of the average world market prices for a previous five-year period. Transport costs are then added to the posted prices. The basis of calculations for oil prices is the level in European OECD countries.

In spite of the recent increases, it is estimated that the price charged for Soviet oil in Comecon on average is still 12 per cent below the average OPEC price level.

Austrian tax plans sharply criticised

By Paul Lendvai in Vienna

THE GUIDELINES issued by the Austrian Finance Ministry for a new refnrm commissinn have come under strong public attack both from the Press and from nppositinn spokesmen. The controversial proposals involve the levying of full tax rates on 13th and 14th month payments as well as the taxing of savings deposits at source.

Dr. Herbert Kohlmaier, the nppositinn spokesman on social policy, attached the latest proposals of Dr. Hannes Androsch, the Finance Minister, as a "cynical" and "arrogant" manoeuvre to increase rather than to alleviate the tax burden.

Newspaper columnists also claim that despite repeated denials the Treasury is seeking to impose taxes on savings deposits. As millions of Austrians have savings accounts and very few have equities or bonds, the plans may well emerge as a main issue in the campaign for the general elections which are due to be held on May 6.

The guidelines for the reform commission propose *the taxing of savings deposits* at source. At the end of last year aggregate savings deposits totalled Sch 411hn (about £15.2bn). These deposits are completely anonymous and the introdnction nf taxation would be a step with profound political repercussions.

The new agreements between Austrian banks on the so-called basic rate of 4 per cent on ordinary savings deposits and also on creditors' interest rates have been criticised by economic commentators. They describe them as politically motivated concessions enforced by the Socialist Government and the powerful trade unions.

While commercial credits will now be cheaper, in line with the 0.75 per cent reduction of discount rate, the basic rate on deposits remains unchanged at 4 per cent.

What has npset independ*ent observers is the fact* that the powerful trade union leader and Speaker of Parliament, Herr Anton Benya, interfered in the monetary debate and firmly stated that there could be no question of a rednction of the basic rate nn savings deposits.

IMF TEAM IN PORTUGAL TO PREPARE WAY FOR $50M CREDIT

Lisbon hopes for a mild dose of medicine

BY JIMMY BURNS IN LISBON

Sr. Manuel Jacinto Nunes

AN IMF team has just arrived here to renegotiate the terms of the Portuguese letter of intent signed last year, and to prepare the way for a $50m standby credit facility. Portuguese officials expect the negotiations to take at least four weeks before any agreement is signed, and before the way is opened again for the provision of large amounts of external finance.

Last year's "No to the IMF" slogans have almost faded from the walls without anyone bothering to repaint them: graffiti and posters are becoming less and less a part of post-revolutionary Portugal. But the speeches of politicians and economists clearly reflect their worry about having to accept stringent IMF conditions for the second consecutive year. It is symptomatic of this apprehension that a controversy has suddenly exploded over the Government's plans for new taxes and stricter wage ceilings.

The agreement signed last May was a relatively harsh package, notably tougher than that imposed on a number of other countries. In the letter of intent Portugal undertook to reduce the deficit on current account from $1.5bn to $1bn between April 1978 and March 1979. The measures that were agreed to make it possible included an immediate 6.1 per cent devaluation of the escudo (along with a 1.25 per cent crawling peg spread over a one year period), limitations on the growth nf money supply, a substantial credit squeeze, a reductinn of the puhlic sector deficit as a proportion of GDP, and close control of the country's external debt.

The Bank of Portugal is yet to publish officially the latest balance of payments statistics. But bank officials say privately that the current account improved considerably in 1978 and the deficit was reduced to $920m.

The reduction has been reflected, according to bank officials, in a substantial improvement of the currency reserves so that the threat of having to sell off more gold as a desperate last remedy appears to have receded completely for the time being.

So far so good and, optimists would argue, the above is reason enough for the Fund to show more leniency this time round. Yet it is likely that Portugal will still be in line for another dose of tough dictates.

The apparent improvement of the current account, does not necessarily mean that Portugal's payments position would have become even better if the authorities had decided to last out until March as was originally planned.

The reduction of the deficit on current account was largely due to a substantial improvement of invisible earnings from tourism and emigrant remittances, both of which reached their seasonal high point in the summer, and subsequently declined.

Portugal's trada deficit registered only a slight improvement in 1978, a 4 per cent drop to $2.4hn and there are indications that the situation could again worsen in the first quarter this year. Though exports in 1978 increased by 20 per cent to $2.4bn, imports are still far from being substantially reduced. According to Sr. Silva Lopes, the Governor of the Bank of Portugal, the level of imports has in fact been increasing in the last quarter of 1978.

Moreover, the sluggish growth of imports during the whole of last year was largely due to the large volume of stocks which were accumulated in 1977. These have now been nearly exhausted and companiea are again looking abroad for their equipment and raw materials.

Another factor which is likely to affect Portugal's trade balance in the coming months is the oil price rise. Article 18 in last year's letter of intent indicated that this itself might provide an added reason for a renegotiation of the terms, earlier than the March date originally agreed.

Even more than by the delicate state of Portugal's external payments, the IMF must be concerned about the authorities' exaggerated spending in recent months which has broken a central pledge in the letter of intent. It is not pure coincidence that the IMF team has arrived here a few days before the Portuguese Government presents its budget and short-term economic plans to Parliament.

Draft plans as to how the Portuguese authorities should put their house in order are believed to have been initially discussed during an unofficial visit here from the Fund in November when the extent to which credit to the public sector had been oversbot was already known.

The original target for Portugal's budget deficit was Es 60bn ($1.27bn), a figure that understated Government expenditure since it did not include direct subsidies to public companies.

Though the budget deficit is officially calculated now at Es 73bn, the real figure, which includes credit to public companies, is in the region of Ea 93bn, a greater proportion of GDP than was promised in last year's letter of intent.

Against this background it seems likely that the IMF will seek to impress the Portuguese authorities still further with the need for strict control of the money supply, and for an accompanying credit squeeze as last year. Sr. Jacinto Nunes, the Finance Minister, is already known to be collaborating closely with the Bank of Portugal in drawing up stricter guidelines for the nationalised banks and credit institutions.

The Portuguese authorities, however, will be less inclined to accept a further sharp devaluation of the escudo, given the inflationary impact on the economy. The official price index rose by 22.2 per cent in 1978 and the Government is now hoping to reduce the rise to 18 per cent this year.

The Portuguese authorities are also keen on trying to alleviate as best they can the strain on domestic economic activity exerted by the last package of IMF measures. Investment is now half of what it was in 1977, and the growth of industrial production was only 4 per cent in 1978 compared with 6 per cent the previous year. Unemployment, calculated to be around the 12 per cent mark, is showing no signs of getting better.

For Portugal, the central dilemma at the beginning of 1979 remains the same as it was half way through last year: how to reconcile the search for financial stability with the need for economic development. This is something the IMF alone cannot solve.

Spanish political parties vie for a large floating vote

BY ROBERT GRAHAM IN MADRID

THE CAMPAIGN for a general election nn March 1 starts today in what promises to be a tough battle fnr a large floating vote between the ruling Union de Centro Democratico (UCD) and the Socialist Party. Opion polls show these twn main parties very close bnt also underline the high proportion of people still undecided.

This is the second time within 21 months that Spaniards are experiencing a general election. Prime Minister Adolfo Suarez called a snap election after Christmas, following approval of Spain's new democratic constitution. He had the choice of obtaining a vote of confidence from Parliament or going tn the country.

The other parties were nnhappy about an election so soon after June 1977, but Sr. Suarez based his decision on favourable polls conducted in private. He was also influenced by the need to pre-empt an anticipated swing to the Socialist and Communist parties in municipal elections which he had succeeded in postponing for over a year.

Municipal elections are to be held on April 6. Thus the country will be subjected to two months of electioneering.

A poll commissioned by the liberal daily newspaper El Pais, published yesterday and carried out at the end nf January, gives a marginal lead to the Socialist Party. Of those asked, 21 per cent said they would vote Socialist and 18.4 per cent UCD. But computations in the same poll predicted that this pattern would evolve by March 1 tn a slight advantage in UCD's favnur — 24.9 per cent against 24.7 per cent.

It rates the eventual Communist share nf the vnte at 6.7 per cent, and a significant fnrther 3.3 per cent for parties tn the left of the Communists, such as the Spanish Workers Party (PTE), the Revolutionary Workers Party (ORT), and the Anarchists (CNT).

The poll forecasts that the newly formed Right-wing coalition that inclndes veleran figures from the Franco era, like Sr. Jose Maria de Areilza and Sr. Manuel Fraga, will gain less than 3 per cent of the vote —losing out to the Fascist Union Nacional headed hy Sr. Blas Pinar.

These predictions, in general, tie in with the views of political analysts here, hut what is confusing all the parties is the known degree of public indifference to the elections and the consequent level of abstentions and floating voters. The El Pais poll shows 32 per cent of the electorate is undecided and another 9 per cent intending to abstain.

The *UCD*, sensing a slight shift in the electorate towards the Right, is pitching its campaign around law and order, plus detailed plans for hoosting economic growth. Yet the party is essentially relying nn the image nf Sr. Suarez—and, at a different level, its strong hold over the whole administrative apparatus, including television and radio.

In contrast, the image of the Socialist Party is hetter than that of its leader, Sr. Felipe Gonzalez. Conscious nf the need to aim for a centre-reformist vote, the Socialist leadership has dropped any radical positions and has heen careful to weed nut inconvenient parliamentary candidates.

THE SHOCK WAVES SPREAD FROM IRAN

Bakhtiar plans to quit CENTO pact

BY OUR FOREIGN STAFF

IRAN is to leave the Central Treaty Organisation (CENTO), Mr. Ahmad Mir-Fendereski, the Foreign Minister, announced yesterday in an interview with the State-controlled Pars News Agency.

Withdrawal would be discussed in the next few days by the "official" Government of Mr. Shapour Bakhtiar, who was nominated as Premier by the Shah. He said: "The continuing presence of Iran in CENTO is inexplicable in the context of Iran's new foreign policy."

He stated the Government's intention of pursuing a neutral line in foreign affairs. "We shall give up the one-dimensional policy and we shall belong neither to the West nor to the East."

Mr. Mir-Federeski added that Iran would "reconsider its relations with Israel in support of the Palestinian nation and its policy towards South Africa would be to support the Negro majority."

An Iranian pull-out from the "northern-tier alliance," which formally includes Turkey, Pakistan and Britain, is of little practical importance as CENTO has been moribund for some years, not the least because of Pakistan's indifference. The announcement was not unexpected but signifies the non-alignment policy that any future Iranian Government seems bound to pursue.

In the Lower House of the Majlis, meanwhile, Mr. Bakhtiar faced up to the challenge thrown at him by the Ayatollah Khomeini, who on Monday appointed his own premier, Dr. Mehdi Bazargan. He vowed to remain in office "even if all the parliamentary deputies resign" and not to step down until after a general election.

"I have nothing to do with governments that exist in the imagination of the people and are now more of a joke, but if they start taking action I will respond accordingly," he asserted.

The Majlis approved Bills abolishing SAVAK, the Shah's secret police apparatus, and approving the trial in special courts of former officials. They have been threatened with a minimum of five years' imprisonment or a maximum sentence of death.

About 100 members of the 268-seat chamber did not attend the session. Some are known to be abroad but the majority evidently were too afraid to appear in Parliament following the Ayatollah Khomeini's call to them to resign.

Earlier yesterday, Phantom fighters and helicopter gunships flew low over southern Tehran, where the Ayatollah Khomeini's main support is in a show of strength. Demonstrators near Tehran University shouted their support for the regime proclaimed by the religious leader and his Islamic Revolutionary Council.

Engineer Bazargan

By Andrew Whitley in Tehran

MR. MEHDI BAZARGAN, Iran's premier designate in the Islamic Republic Ayatollah Khomeini is hoping to establish in the near future, is a veteran anti-Shah politician.

He was a leading member of the National Front under Dr. Mossadegh the Nationalist Prime Minister in the early 1950s.

Seventy years old, he is a trim, dapper man. In a country where attitudes to time-keeping are lax, he insists on punctuality. An engineer by profession, in his years of obscurity he ran a small company.

Engineer Bazargan, as he is known in Iran, is a strongly religious man, in whose ideal state a Government carries out "the progressive management of public affairs in the path of God."

In 1961, he established his Liberation Movement of Iran (LMI) along with Ayatollah Taleqani, another key figure in Iranian politics today. He was jailed for his pains in 1962 and suffered subsequently at the hands of SAVAK, the secret police.

His party, although small, has built up strong links with the bazaar and mosque over the years.

In consequence, the LMI is much stronger rooted than the National Front as it is presently constituted.

Saudi deal rumours discounted

BY QUENTIN PEEL IN CAPE TOWN

RUMOURS THAT South Africa has agreed an oil-for-gold swap with Saudi Arabia to replace the bulk of its crude oil supplies, cut off by the disruptions in Iran, have been discounted strongly by Government and oil industry sources here.

The South African Reserve Bank insisted that there had been no change in its gold-selling policy. "We are entitled to sell our gold where we want to," a bank spokesman said. "But there has been no definite policy change in this respect. Our total output continues to be sold in a normal way."

Senior Government officials refuse to comment on the origin of South Africa's oil supplies since the ending of Iranian exports, which in the past have provided more than 90 per cent of South African imports. "People in South Africa would not like to comment on reports about where oil is or is not coming from," Mr. Tjaart van der Walt, the Secretary for Commerce, said yesterday.

However, it is understood that the Government has not attempted to replace the Iranian supplies with any Government-to-Government deal, and has left the buying operation to the oil majors.

Speculation on South Africa's supplies—the suggestion of a Saudi Arabian "swap" was mooted in the Press here two months ago, without any substantiation—embarrasses the Government by focusing attention on potential sources. "It helps nobody," Mr. van der Walt said.

Mr. Chris Heunis, the Minister of Economic Affairs, gave a confidential briefing to South African newspaper editors yesterday on the oil supply situation, foreshadowing tighter conservation measures which are likely to be announced before the end of the month.

Threat of S. Africa oil rationing recedes

BY JOHN STEWART IN CAPE TOWN

THE ODDS against oil rationing in South Africa appear to have lengthened following top-level consultations in the past fortnight between oil companies here and their multi-national parents.

But the threat of coupon controls probably will be left dangling over consumers to dampen demand.

The loss of Iran as a short-haul supplier is a tough blow. In addition, the production halt there has wiped nearly 6m barrels a day (b/d) off the international supply slate, presenting difficulties to oil majors trying to maintain crude oil flows to customers.

The international majors, however, appear to have access to sufficient sources of "non-political" oil to ease South Africa's supply problems without breaching destination embargoes stipulated by certain exporters.

The extent to which South African demand can be met from alternative sources continues to depend on Iran. The sooner the production is restored to a normal 5-7m b/d, the sooner the oil majors can rearrange their supply chains and deliver additional non-political oil to South Africa.

In the meantime, South African shortfalls will have to be met from spot cargoes, which will be used to top up commercial stocks of crude.

Oil brokers say the small volumes of spot oil available command premiums ranging from $5-$7 a barrel. Sellers probably will demand even higher premiums if South Africa is identified as the buyer.

The vital question for the republic is the price demanded for volume contracts. Alternative supplies may have to be shipped longer distances, pushing up the freight component of landed cost.

Loyalists resisting, says Phnom Penh government

BY RICHARD NATIONS IN BANGKOK

THE NEW authorities installed in Phnom Penh since January 7 yesterday admitted for the first time that all is not well in Cambodia and called upon the people to make "sacrifices to defend the fruits of the revolution" against "enemies of all stripes."

The Hanoi-backed government continues to claim that the "entire people and nation were totally and definitively liberated on January 7," and that the Pol Pot-Ieng Sary Government has been thoroughly "smashed."

But an appeal by Heng Samrin, chairman of the revolutionary council, broadcast over Radio Phnom Penh yesterday, revealed the first official signs of guerrilla resistance by the Pol Pot loyalist Khmer Rouge forces.

He called upon all to "continue to wipe out the enemy remnants who fled into the jungle or mingled among our people and who are still stubbornly opposing our revolution and people's state power."

House-to-house searches for Ugandan saboteurs

BY JOHN WORRALL IN NAIROBI

PRESIDENT AMIN'S state research police, who have a reputation for murder, torture and brutality, were yesterday reported to be conducting house-to-house searches for saboteurs. Many people were said to have been arrested and some shootings were reported in what is interpreted as a backlash after the guerrilla action on Sunday in which an oil storage tank and a powerline were blown up.

In Nairobi a spokesman for SUM (the Save Uganda Movement) which is claiming responsibility for Sunday's attacks, said they would continue. "SUM's aim is "to kill Amin and his mercentary henchmen."

Ugandan refugees in Nairobi, who say they represent SUM, were not prepared to pinpoint a leader or to disclose how many people belong to the movement.

They say their main target is Amin and have appealed to all Ugandans to "kill Amin now."

AUSTRALIAN POLITICS

Uphill battle for the Labor Party

BY JAMES FORTH IN SYDNEY

THE Australian Labor Party, battered at the polls just over 12 months ago, would win an election held now, according to the public opinion polls.

Voting intentions are not necessarily the same as actual returns but the opinion polls are indicative of an increasing dissatisfaction with the Government and its policies and must be of concern to the Administration.

Independent polls have produced almost the same conclusions: more than 50 per cent of the electors asked say they would now support Labor. Backing for the Government is down to around 40 per cent, which would put the Government out of office.

Labor is ahead in every state except Queensland. Its support is highest in New South Wales and Victoria, where the existing state government is under a cloud following a series of scandals.

It is only three months since Mr. Neville Wran, the New South Wales Labor premier, scored a stunning election victory which decimated the ranks of the Liberals and resulted in the defeat of Mr. Peter Coleman, the state opposition leader.

That victory is generally conceded to have been as much an endorsement of Mr. Wran as a vote for the state Labor Government—whose entire campaign was built around the slogan "Wran's our man."

State results cannot be taken automatically as guides to the federal sphere, but the opinion polls also suggest that the popularity of Mr. Malcolm Fraser, the Prime Minister, is continuing to decline and that approval for Mr. William Hayden, the opposition leader, is increasing.

Mr. Hayden is a leader still on trial, having inherited from Mr. Gough Whitlam, the former Labor Prime Minister, a divided and tattered party. Not a charismatic figure in Mr. Whitlam's mould, he has gone about the job in a low-key manner, restoring unity to the Labor Party.

Mr. Fraser began 1978 with confidence, having called an election 12 months ahead of time, and sweeping back into Government despite a scandal during the campaign over the financial affairs of Mr. Philip Lynch, the treasurer, which ultimately cost him the Portfolio.

There were further upsets during the year. An inquiry into allegations of election irregularities by Mr. Eric Robinson, the Finance Minister, ended with the clearance of Mr. Robinson but the dismissal of Senator Reg Withers from the Ministry for electoral meddling, which while improper was generally regarded as innocuous, particularly by Government backbenchers.

Restiveness among backbenchers rebounded on Mr. Fraser after the 1978-79 budget had been tabled, and the Government was forced by opposition within its own ranks to reverse some budget decisions.

Despite disenchantment with Mr. Fraser within the Government, there is no likelihood of a challenge to his leadership. But the obvious disharmony within the Government has harmed its public image, while the continuing economic slump, accompanied by record and steadily rising unemployment has added to its unpopularity.

At the end of December, 7.1 per cent of the workforce was unemployed. This will rise further next month as more school leavers register.

There are some encouraging signs for the Government. The tight inflation-first policies have cut inflation from 13 per cent in 1976-77 to around 8 per cent. The latest production statistics show that several key areas are showing improvement at last, indicating that demand is picking up.

Retail sales are rising strongly, the housing market is starting to improve and a number of commodity prices are on the rise. The farming industry is enjoying a strong revival, which will take much of the pressure off the balance of payments, and have flow-on effects in the domestic economy.

Over the past few months there has been a strong gain in funds sought by companies, largely for working capital needs, but there is also an increase of capital spending.

After a lengthy hiatus, more than A$350m (£199m) has been raised in the industrial debenture market alone. Several large capital intensive projects, largely in the resources and energy sector, have moved closer to fruition and 1979 should see a start on some of these ventures. They include three new aluminium smelters and a petrochemical complex. A decision on whether the $A2bn-$A3bn north-west shelf liquefied natural gas venture will proceed is expected late in 1979.

All this has combined to engender a revival of confidence within the business community, but it remains to be seen whether the Government can build on this mood.

In the past week the Government was dealt a major blow by the news that the cost of living has risen much more sharply than expected in the fourth quarter.

Moreover, the cause was to be found in the budget, mainly higher excise on alcohol, tobacco and petrol. The Government aimed to offset these increases by changes to the health service system, but got its figures wrong.

The result was that the consumer price index rose 2.3 per cent, an annual rate of 9.2 per cent, which makes it unlikely that the Government can meet its target of an inflation rate of around 5 per cent by mid-1979.

The Government is now under pressure to increase interest rates. That would be a reversal of a policy which has seen official rates steadily reduced over the past 15 months — most recently in November.

An interest rate revival with the seasonal tax liquidity rundown approaching almost certainly would result in a tight credit squeeze in the second quarter. But the Government still needs to sell its bonds to the non-bank sector if it is to fund the budget deficit without resorting to the printing press, and to have any success it probably would have to increase interest rates.

The Government has two years to run before an election must be held. The best that it can hope for is modest economic growth over the next 12 months, with little headway on the unemployment front. That leaves Mr. Fraser with only 1980 to regain favour with the electorate.

> Despite a revival of business confidence in Australia, support for the ruling Labour Party appears to be dwindling and its room for manoeuvre in regaining the allegiance of the voters is very limited.

STEWART FLEMING looks at the New York property scene

Room for recovery in midtown Manhattan

WHEREVER YOU turn in the better-heeled sections of midtown Manhattan these days, you never seem to be very far from a big construction project.

Encouraged in some cases by substantial new tax allowance, companies like International Business Machines, American Telephone and Telegraph and Philip Morris are in the throes of building office accommodation. For the first time for several years there are plans to build hotels in New York and refurbish existing buildings.

It would be all too easy to conclude that these superficial signs of prosperity mean that business in New York has shaken off its hangover from the fiscal crisis of 1975.

New York newspapers are increasingly reporting that middle class families are returning to residential areas. Often young professional people, frequently without children, they are said to be ready to accept smaller apartments, dirty streets and the dangers of crime in order to live close to their work and enjoy the cultural services of the city.

These young people are also causing the "gentrification" of rundown districts, buying up old properties and renovating them in much the same way that has been seen in London.

Gentrification is a phenomenon restricted to a few neighbourhoods and, while some suggest that the trend could lead to a renaissance of New York City as a service industry-based economy, there are formidable obstacles. The New York City school system and the cost of private education are only two.

Property boom

The commercial real estate market's revival also needs to be put in perspective. A recent article in the New York Times tabulated the office completions in the city since 1947.

In the seven years between 1957 and 1964, completions average between 5m and 7m sq ft of rentable space a year. As the U.S. property market hit boom conditions at the beginning of this decade, New York became frenetic, with close to 31m sq ft of rentable space completed in 1971 and 1972.

As the economy went into a slump in 1974 and banks took billions of dollars of real estate loan losses, the New York property market collapsed. Speculative buildings were left empty, rents plunged and in 1975 only owner new office buildings were completed comprising 349,000 square feet. One was in Chinatown, and the largest, on Fifth Avenue, totalling 300,000 feet, was built for the Pahlavi foundation.

This year the new space to be completed is not much greater. By 1980, however, over 2m square feet is due to be completed, including the first new office building to be built in the Wall Street financial district for several years, an office for Continental Insurance.

Tower blocks

By 1981 the pace is expected to quicken again, however, with 30- and 40-storey tower blocks due to be finished for IBM and A T & T near Madison Avenue and 57th Street and several other developments including the first truly speculative project, an office tower with no tenants lined up in advance.

Behind this mounting activity lies the absorption of the surplus accommodation which overhung the market after excess building at the beginning of the decade. Last year was the first since 1969 when employment in the city rose, particularly in service industries such as banking, real estate, law, medicine and tourism. There were some increases in manufacturing jobs, for example printing.

As the surplus was absorbed, rents began to rise. According to estimates prepared by Bankers Trust of New York, rents have risen in prime midtown locations from around $11 and $12 a square foot to nearer $20 with one or two sites fetching figures close to $40 where there is a shortage.

Tenants are also being asked to meet tougher lease terms. While it would be easy to argue that these trends could point to another boom in the New York property market it would probably be unwise to make that prediction.

Even the rent increases, when account is taken of inflation, generally only take rents back to the levels of the beginning of the 1970s.

Still, it seems fair to say that the real estate market in the city is much healthier than even a year ago, and that some companies and many foreigners see the city as a much more attractive place in which to live and do business than formerly.

Inquiry into NYC finances lifts threat to ex-mayor

BY JOHN WYLES IN NEW YORK

THE Securities and Exchange Commission (SEC) has lifted the threat of disciplinary proceedings against Mr. Abraham Beame, the former Mayor of New York City, a number of other officials, and some leading U.S. banks, over their role in the city's 1975 fiscal crisis.

The SEC, completing its three-year investigation into what happened in the six months from October 1974 to March 1975, has issued a somewhat meek document which contrasts sharply with the thunderous conclusions of a massive staff report published on August 26, 1977.

This accused a number of city officials including Mr. Beame, and Mr. Harrison Goldin, the City Comptroller, six New York City banks, and Merrill Lynch, the U.S.'s largest brokerage house, of deliberately misleading investors during the six months by trying to sell $4bn of the city's short-term debt without revealing its parlous financial condition.

By March 1975, the market had become saturated with the city's securities, and further sales became impossible. By November of that year, New York started to default.

Mr. Beame was the most immediate and obvious victim of the 1977 report, which was published a mere 13 days before the Democratic primary to decide the party's candidate for the November mayoral election. He attacked the SEC for doing "a political hatchet job," and his political career ended with the primary defeat.

But reverberations of the SEC report are also held to have been a factor in Mr. Harrison Goldin's failure to capture the State Comptroller's job in last November's state elections.

Mr. Abe Beame

Since the report's publication, the banks have also vehemently denied its allegations that they misled investors and that they were reducing their holdings of city notes while marketing new issues. Those named were Chase Manhattan, Citibank, Chemical Bank, Morgan Guaranty Trust, Manufacturers Hanover Trust and Bankers Trust.

In the SEC's final statement on the matter, it sidesteps the issue of individual and corporate blame, and argues that the public interest would best be served by legislation to remedy the current lack of regulations governing the issue and marketing of municipal securities.

The SEC's decision not to take action over wrongdoing alleged in its original staff report was apparently based on the subsequent change in the city's administration, various remedial actions taken by those mentioned in the staff report, congressional and state policies to help sort out New York's financial difficulties, and the judgment that enforcement action would be protracted and of limited value.

Iran oil shortage 'will bite soon'

BY DAVID LASCELLES IN NEW YORK

STANDARD OIL of California (Socal), fourth-largest oil company in the U.S., has warned that the full impact of Iranian oil shortages will not be felt in the U.S. for another two to four weeks. But when the crunch comes, it expects to be about 10 per cent short of its daily needs.

Mr. Harold Haynes, Socal's chairman, in an interview with the Wall Street Journal, added: "We think we have enough crude to meet our absolute minimum needs through February. I don't know what will happen after that."

Socal thus joins most other U.S. oil companies in predicting tight supplies. Some companies, like Texaco, Amoco and Exxon, have already taken action to curtail supplies this month, anticipating that the backlog of deliveries from Iran will finally peter out. Socal's own application to restrict deliveries is based on the market distortions caused by federal price controls, Mr. Haynes said.

Mr. Haynes also said he expects the price of petrol in the U.S. to go up by 3 to 6 cents a gallon, or about 4 to 8 per cent, depending on what the Administration does about U.S. oil prices, which are due to be reviewed in the next three months.

Turning to Socal's own prospects, Mr. Haynes said he expects 1979 to produce higher profits than in 1978, when they were $1.11bn, although the increase may not be as high as last year's 10 per cent. An important factor will be the production from the Ninian field in the North Sea. Socal expects an increase of 3 to 3.5 per cent in world-wide demand for its products.

Mr. Haynes also commented on Socal's abortive attempt last year to acquire Amax, the large metals company. Socal is still interested in making a major acquisition in the natural resources area he told the journal.

Socal has in the past said it is keen to diversify, mainly into related natural resource and energy interests where it can put its geological and similar skills to good use.

Canada shortfall 'serious'

BY ROBERT GIBBENS IN MONTREAL

MR. ALASTAIR GILLESPIE, Canada's Energy Minister, said yesterday that the lack of oil supplies was serious but there was no need for panic.

He told the House of Commons in Ottawa: "We may well be facing reductions in supplies over the coming months. At present, the situation is still manageable. We are making every effort to ensure there will be sufficient oil for eastern Canadian refineries."

The eastern Canada refineries require 500,000 barrels a day of imported oil, which comes from Venezuela, Nigeria, and the Middle East. Recently a deal to import 100,000 b/d from Mexico was arranged, and Mr. Gillespie said that Venezuela had said it would continue to provide oil to Canada.

Thailand advised to avoid involvement in Cambodia

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT CARTER is expected to advise General Kriangsak Chamanan, Thailand's Prime Minister, to avoid involvement in neighbouring Cambodia. The Thai leader, who is paying an official visit to the U.S., was welcomed to the White House by Mr. Carter yesterday.

The State Department believes that Mr. Carter's public warning to Vietnam and its backer, the Soviet Union, to stay away from the Thai border has had the desired effect. But Thailand, the department feels, could still be sucked into the Cambodian conflict if it aided or abetted the Pol Pot forces, whose stronghold is said to be in south-west Cambodia near the Thai border.

U.S. officials note with approval that none of the leaders of the Pol Pot regime have been allowed to stay in Thailand for any length of time.

Welcoming the Thai Premier to the White House, Mr. Carter said the U.S. would stand by its bilateral and multilateral security commitments to Thailand.

Vance plans Mideast meeting

Mr. Cyrus Vance, the U.S. Secretary of State, said that the U.S. will invite Israel and Egypt to a ministerial level meeting, probably in Washington soon, aimed at breaking the deadlock in their peace treaty talks, Reuter reports from Washington.

SALT achievement

If the new Strategic Arms Limitation Treaty (SALT II) is ratified by the U.S. Senate, it will be the greatest achievement in the history of arms control, according to Mr. McGeorge Bundy, President of the Ford Foundation, Ian Davidson reports. But he argues, in the latest issue of Foreign Affairs, that President Carter does not have much time to achieve ratification.

Brazil prices rise

Brazil's inflation rose by 3.7 per cent in January, reversing the trend of December 1978, when a more satisfactory monthly rate of 1.5 per cent was achieved, Diana Smith reports from Rio de Janeiro.

Temple man freed

Stephen Jones, 19-year-old son of the Rev. Jim Jones, formerly leader of the People's Temple, has been freed on one case submission on charges of killing four Temple members.

Argentina court calls for restoration of liberties

BY ROBERT LINDLEY IN BUENOS AIRES

THE Argentinian Supreme Court has reiterated its concern about the number of people who have disappeared in the country over the last three years. It has called on the Videla regime, in a ruling made public yesterday, to restore individual liberties. The ruling was in response to a petition filed by 1,221 people on behalf of 1,542 missing relatives, which asked the Government to take steps to allow judges, now powerless to act, to probe disappearances. Most habeas corpus writs currently go unanswered.

The Permanent Assembly for Human Rights, which has now compiled a list of 4,381 documented disappearances, the majority involving people taken away by heavily armed men claiming to be members of the security forces, said that the Supreme Court decision will encourage the relatives of missing people.

Big sales gains by GM and VW

BY JOHN WYLES IN NEW YORK

IMPRESSIVE sales gains by General Motors and Volkswagen were the notable features of U.S. car sales in January which provided further evidence of continuing strength in consumer spending.

For three of the last four months GM has sold more cars than in the corresponding months a year ago and its two Detroit rivals, Ford and Chrysler, have suffered a fall in sales. Volkswagen, meanwhile, regained the number one spot among foreign-name cars for the first time in several years.

Now that it is manufacturing 500 cars a day at its Pennsylvania plant, VW is no longer exclusively an importer of cars although about half its 26,371 vehicles sold last month were imported. Excluding VW, sales of U.S.-made cars were 12 per cent higher than in January last year when deliveries were affected by bad weather.

The total sale of 632,769 units owed much to the continued success of GM models. Sales contests late in the month helped reduce Ford's decline to 3 per cent and Chrysler's to less than 1 per cent, but GM's 25 per cent advance consolidated its recent hold on about 60 per cent of the market for domestic makes.

Ford's market share fell from 29.2 per cent to 26.5 per cent, Chrysler's was about the same at 12.8 per cent, while American Motors, whose sales slumped by 34.5 per cent, saw its share of the passenger vehicle market halved to 1 per cent.

Excluding VW's sales of between 12,000 and 13,000 domestically produced versions of its small car, the Rabbit, import sales rose about 1 per cent to take just over 17 per cent of the market. Sales of the two leading Japanese makes, Toyota and Datsun continued to decline in contrast to VW's 33 per cent gain.

The January sales total pointed to an annual selling rate of about 11 million U.S. and imported cars, far higher than most analysts expect the eventual 1979 total to be. However, they have been predicting a marked softening of the U.S. car market for a long time but on January's figures, it has not yet started.

EEC mandate to negotiate with Yugoslavia, Romania

BY GILES MERRITT IN BRUSSELS

THE EEC's Council of Ministers has granted mandates for the Brussels Commission to begin wide-ranging trade talks with both Romania and Yugoslavia. Both sets of negotiations are likely to be politically sensitive, while the Romanian negotiations must be placed against the background of the EEC's firm refusal to sign a trade deal with Comecon as a whole.

The trade talks with Yugoslavia, which could begin within weeks with a senior Commission delegation's visit to Belgrade, are a resumption of the negotiations that began a year ago on a general co-operation pact, but which foundered last April over Yugoslavia's discontent with the limited range of concessions it was felt the EEC was prepared to make. In addition to problems relating to Yugoslav migrant workers in the Community, Belgrade made it plain that the Brussels Commission's 1978 negotiating mandate was unlikely to correct the EEC's sharply increasing trade surplus with Yugoslavia.

In 1977, the Nine recorded $4bn worth of exports to Yugoslavia against that country's sales to the EEC of $1.6bn.

The revised mandate agreed yesterday by the Council of Ministers is understood to offer improved terms, and apparently go some way toward allaying Yugoslavia's fears that its beef and refined petroleum products will not receive preferential treatment.

The new round of talks, which will also embrace political and economic co-operation, are expected to last through this year. In the meantime trade relations between the Community and Yugoslavia will continue to be based on the terms of the five-year trade agreement that expired at the end of last August.

The Romanian trade talks, which could cover 85 per cent of that country's external trade items and will exclude only agriculture and fisheries, are expected to begin in the second quarter of this year. The negotiating mandate envisages a two-stage agreement with Bucharest, while preliminary contacts are to determine whether the package will be split into two separate component parts: The Romanian trade deal could result in industrial products being treated as a distinct category, accompanied by a general commission covering all other aspects.

The trade conditions to be discussed fall into three broad categories: the total abolition of EEC quotas in some areas, the suspension of quotas in others in return for voluntary restraint by Romania and, thirdly, the overall enlargement of existing quotas.

India's exports hit by worsening congestion of ports

BY K. K. SHARMA IN NEW DELHI

CONGESTION at Bombay and some other ports in India is now becoming a serious constraint on increasing exports which are running well below last year's figure. This has upset delivery schedules particularly after the dock workers' strike last November.

In Bombay, nearly 100 ships are awaiting berths and some being diverted to other ports.

Despite this, the target for engineering exports for this year has been fixed at $90m to the European Economic Community alone.

The Engineering Export Promotion council hopes to step up significantly tie-ups with countries in the community. Its chairman, Mr. Suresh Mehta, said yesterday.

The council has organised a two-day seminar this week on trade and industrial co-operation between India and EEC countries.

It is being attended by 87 senior executives from Europe, including many from major engineering companies.

The main hope is increased collaboration between Indian and European companies in countries in the Middle East, Africa and South-East Asia.

Expectations are that by doing so, both will be able to withstand competition from countries in the Far East which are now pricing out European companies for various reasons.

Yamaha motorcycle deal

BY OUR NEW DELHI CORRESPONDENT

ESCORTS, the Indian engineering company, has signed an agreement with Yamaha Motor Company of Japan for manufacture of a broader range of motor cycles.

The agreement is important since it means that the Indian Government has finally allowed a foreign collaboration agreement in the automotive sector.

Such collaboration has been suggested by a special working group on the automotive industry in a report submitted to the Government recently and stressed this was particularly needed in the motor cycle industry.

Austria cuts trade deficit

By Paul Lendvai in Vienna

AUSTRIA'S VISIBLE trade deficit last year was reduced by 24.4 per cent to Sch 55.8bn (£2.06bn). The unexpectedly large fall was primarily due to the 45.5 per cent drop in car imports. In this area alone the import bill fell by Sch 9bn.

In all, exports rose by 8.8 per cent to Sch 176.1bn while imports were down by 1.6 per cent to Sch 231.9bn.

However, if one excludes the seasonal factor of sharply reduced car imports as a result of the steep increase of Value Added Tax on consumer durables as from 1978, the import bill minus cars would nevertheless have shown a rise of 2.4 per cent. And if one deducts cars from the heading of machinery and transport equipment, the figures would show instead of a drop of 10.1 per cent, an increase of imports by 2.1 per cent.

For fuel and energy, the overall import bill was up 2.7 per cent to Sch 24.9bn. While imports of crude oil were up by 5.2 per cent and natural gas by 33 per cent, sales of solid fuels dropped by 7.3 per cent compared to the year before.

In terms of regional distribution, the statistics reveal that the European Community accounted for 65 per cent of total imports and was a market for 52 per cent of Austrian exports.

HK rail contracts blow to Japanese

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

JAPAN'S THREE major heavy electrical companies, Mitsubishi Electric, Hitachi and Toshiba, are nursing their disappointment today at being passed over for the second time running in the placing of contracts for the Hong Kong mass transit railway project.

The Japanese claim that their bids in the 1978 round of tenders were once again "highly competitive" and question whether British companies competing for the same contracts have enjoyed "political advantages."

It is further claimed that the "UK opposition" knew the prices being quoted by Japan but that the Japanese side did not manage to discover the British prices.

The three Japanese companies involved formed the HMT (Hitachi, Mitsubishi, Toshiba) consortium in order to place bids for HK$500m (£52.7m) worth of rolling stock for phase two of the Hong Kong project.

They also submitted tenders for HK$75m worth of power supply equipment, HK$50m worth of escalators, HK$100m worth of environmental control equipment and HK$9m worth of radio equipment.

The industry was informed late on Monday night (a few hours before the public announcement) that all of these contracts had been placed with European suppliers, with the exception of the environmental control contract which has yet to be awarded.

This repeats Japan's experience in the summer of 1976 when a series of what were claimed to be highly competitive Japanese bids were passed over in favour of tenders from the UK and Europe.

The HMT consortium appears to have focused its main effort during the final two months of last year on securing the HK$500m rolling stock contract which was not only by far the largest of those on offer but would also have provided work for a larger number of Japanese companies than the others.

Because of the importance attached to the rolling stock order, the HMT consortium offered the Hong Kong Government a package deal which made the prices quoted for the four smaller contracts conditional on whether or not Japan secured the rolling stock contract.

A spokesman for the consortium suggested to the Financial Times last night that Japan could probably have secured one or more of the smaller contracts quite easily if the Japanese offer had not been packaged in this way.

Exports of Scotch to U.S. rise sharply

BY OUR CONSUMER AFFAIRS CORRESPONDENT

SCOTCH WHISKY exports to the U.S. last year were up by over 15 per cent in volume and double that in value, according to Customs and Excise figures released yesterday.

Exports to the U.S. in 1978, the largest market for Scotch whisky in the world, totalled 26.2m gallons in volume, worth £194.4m in value. In December alone, volume of exports was up by almost 17 per cent compared with the previous year to 2.9m gallons. By value, the exports increased by almost two-thirds to reach £16.5m.

The figures also show a resurgence in demand for blends bottled at source rather than those shipped in bulk. The practice of exporting whisky in bulk has led to fierce controversy within the industry since many companies believe it enables overseas competitors to blend with their own spirits to produce a whisky with a traditional Scotch whisky flavour—although it cannot legally be called Scotch—that hits exports from the UK.

However, the December figures show that blended whisky in bottles—which have a higher value than bulk blends—increased its total volume by just over half on the figure for December, 1977. Bottled blends totalled 1.7m gallons, while the value was up by 91 per cent to £13.9m.

Bulk whisky exports to the U.S. in December fell by almost 15 per cent—to 1.1m gallons—while in value terms the fall was 12 per cent to £2.4m.

The overall total for 1978 showed bottled exports up by 16 per cent in terms of volume and 33 per cent by value, compared with just over 14 per cent and 18 per cent respectively for bulk exports.

Saudi tax changes aimed at foreign investment

BY JAMES BUCHAN IN JEDDAH

SAUDI ARABIA has announced new tax incentives to channel foreign investment and expertise into non-hydrocarbon industries in an effort to broaden the kingdom's industrial base.

A royal decree, which becomes law on February 25, doubles the tax holiday for industrial and agricultural joint ventures from five to 10 years provided that the Saudi equity position is at least 25 per cent.

The amendment to the foreign capital investment code stipulates the 10-year holiday from start of production and although not retroactive will apply to increases in capital for industries already installed.

A blanket exclusion of all projects for the Ministry of Petroleum and Mineral Resources will presumably make many Aramco operations ineligible and the company may apply for inclusion, U.S. officials said this week.

Banking and trading joint ventures will continue only to enjoy a five-year tax holiday, bankers said.

To qualify for the extended tax exemption, companies must apply to an investment committee which will submit recommendations to Dr. Ghazi Algosaibi, the Minister of Industry and Electricity.

The committee, it is understood, will make its decisions on a case-by-case basis and is likely to interpret the decree's nebulous definitions of both useful projects and foreign expertise, to favour projects that broaden the range of Saudi production and contain some measurable transfer of expertise to Saudis.

Helped by massive injections of easy credit from the State Saudi Industrial Development Fund, there are now some 800 non-hydrocarbon industries in private bands and Dr. Algosaibi wants this increased to 1,300 by the middle of 1980.

At the end of the holiday, companies are taxed at a rate of 25 per cent of profits up to SR 100,000 (£15,105) and rising fairly shallowly to 45 per cent of profits over SR 1m.

Northern Engineering plans Americas expansion

BY JOHN LLOYD

NORTHERN Engineering Industries, the power plant group, is looking for expansion in North and South America, probably involving further company acquisitions.

The group has been negotiating for some time with the Mexican Government over the establishment of a plant to manufacture transformers, which would be part-owned by NEI. An agreement is expected shortly.

Last week, the company acquired Ferranti Packard, a subsidiary of Ferranti, a Canadian-based transformer manufacturer, for £7.6m. Ferranti Packard will be the leading company of the NEI Canada group, and it is hoped that it will provide a much increased sales network for the range of NEI products.

At the same time, NEI continues to see America as one of its major growth areas. It will be looking for possible acquisitions in the turbine generator market, particularly service and maintenance plants, and will investigate expansion in Canada in association with the U.S. company Combustion Engineering, with which it is developing a closer trading relationship.

Last year, NEI and Combustion Engineering, together with Rolls Royce, established a new company, RNC, with the aim of marketing CE's pressurised water reactor (PWR) nuclear technology world wide.

Besides North and South America, the company has high hopes of the Chinese power generation market. A delegation from NEI recently returned from China, where it held discussions on the likely requirements of the Chinese system.

Exxon Chemical in £22m Belgian polyethylene deal

BY SUE CAMERON, CHEMICALS CORRESPONDENT

EXXON CHEMICAL is to buy a 255,000-tonne low density polyethylene plant in Belgium from the U.S.-based National Distillers and Chemical Corporation. The deal is worth £22.2m.

The plant, which is sited at Zwijndrecht near Antwerp, will effectively double Exxon Chemical's LDPE production capacity in Europe. At present the only Exxon affiliate producing LDPE in Europe is Essochem Plastics which has a 240,000 tonne plant at Meerhout in Belgium.

Exxon Chemical, part of the U.S.-based Exxon group, has been supplying the Zwijndrecht plant with a significant proportion of its raw material—ethylene—and it has also been selling a considerable amount of the LDPE produced by the plant for some years. Exxon said that the purchase would enable it to widen its production range of LDPE grades.

The $44m deal includes the sale of three small marketing companies in France, Germany and the UK. The three concerns employ only about 20 people altogether.

UK NEWS

House building falls to 1974 level

BY MICHAEL CASSELL

LAST YEAR'S new house building programme reached the lowest level recorded since 1974, according to Government provisional figures.

The statistics came a day after the private house builders warned that 1979 would show a 10-15 per cent drop on last year's output. No improvement is expected either on the already very low level of public sector housing activity.

According to the Department of the Environment, contractors started work on 265,500 homes during 1978 against 266,900 in the previous 12 months. It is only the third time in 20 years that the total has fallen below 300,000 and the figure compares badly with the peak performance of nearly 450,000 in 1967.

In the public sector, the number of new starts reached only 107,600, by far the lowest recorded in the 1970's.

The low level of output in this sector has been a source of mounting concern to ministers, who have watched many local authorities underspend allocations and have accused Conservative-controlled councils of deliberately holding back on housing development programmes.

Current local authority plans for future tender approvals provide little indication that the situation will improve.

Land shortage

Private housing starts last year, however, saved the overall situation and reached an estimated 155,000, slightly higher than the industry had been predicting. The total compares with just under 135,000 in 1977 and is the highest since 1973.

But builders do not believe that this year provides any opportunity for a repeat of the 1978 total, largely because of land and mortgage shortages.

The industry expects to start work on only 130,000 new homes, the fewest for five years. The government had predicted a rate of around 170,000 a year until the end of the 1970s.

The Department of the Environment says that housing completions in 1978 reached 280,500, against 302,700 in the previous 12 months. The figure is also the lowest since 1974.

In the public sector, completions totalled 130,800 against 162,500 in 1977 while private sector completions rose to just under 150,000 from 140,300 in the previous 12 months.

According to the department, an estimated 59,300 homes in England were converted or improved with the aid of grants during 1978, or 2,300 more than in 1977. At the same time, 34,300 homes were demolished or closed as a result of slum clearance action, a fall of nearly 6,000 from the preceding year.

Canal system grinding to halt MPs are told

BY LYNTON McLAIN

SOME OF Britain's canals may have to be drained in the interest of safety, MPs have been told.

The canal network is slowly grinding to a halt, no new materials or fuel have been ordered since December and staff were leaving in despair and depression, Mr. Donald McCance, the British Waterways Board general manager told the House of Commons sub-committee of the Select Committee on the Nationalised Industries.

The board had been allocated £10m by the Environment Department in November 1977 for urgent repairs. Half of the money was to have been spent in 1978-79 and half in 1979-80 but the board had been refused permission to spend the money on extra staff needed for the repair programme. The Government had also refused to allow the board to raise supervisors' salaries in line with the repair programme.

The supervisors failed to win substantial rises in the first year of Government pay policy and as a result, were now paid £700 less than the men they supervised Mr. McCance said.

The supervisors earned up to 70 per cent less than their opposite numbers in comparable industries.

Most of the men subsequently had refused to work normally. The repair programme had not started and a number of canal structures were closed last week in the interests of safety.

The stoppages will not affect use of the 1,100 miles of commercial waterway, but some canal sections had been closed.

"This is an absolute tragedy, and it will take us years to get over the damage."

Mr. Russell Kerr, MP, the committee chairman said that there had been a long catalogue of complaints about Government handling of the board.

The board had a statutory duty under the 1968 Transport Act to maintain the waterways. But after more than seven years of indecision by the Environment Department the board still did not have the money needed to carry out its duties.

Mr. Kerr called for the board to consider alternative methods of publicising its case. But Mr. McCance said that too much adverse publicity could stop people booking canal holiday. Many small boat hire companies on the canals could be ruined if people cancelled holidays this year, he said.

He agreed with Mr. Kerr that there should be a debate in the House of Commons over the Government's handling of the Board.

Brae Field oil operators open pipeline talks

BY KEVIN DONE, ENERGY CORRESPONDENT

MARATHON OIL has opened negotiations with the Occidental consortium and British Petroleum over using the Piper or Forties Field pipelines to bring ashore crude oil from its prospective Brae Field development.

The field, in block 16/7, east of the Orkney Islands and near the Norwegian sector, has been one of the most difficult North Sea discoveries to assess.

Development has been held up for many months because of disagreement among the partners about how the field should be exploited. It appears that most outstanding differences have been resolved and the Brae consortium is expected to apply to the Department of Energy for development approval by early summer.

The project is expected to cost between £600m and £700m and will be based on a single conventional fixed steel platform.

At least three separate structures have been discovered in the block, but the initial development scheme will concentrate only on the South Brae Field, believed to have recoverable reserves of 225m to 300m barrels of crude oil. Peak production will be about 100,000 barrels a day.

The closest connection would be the Piper and Claymore Fields, about 50 miles away, linked by pipeline to a terminal at Flotta, in the Orkneys. Occidental recently signed a deal with Texaco for transporting crude oil through that line from the Tartan Field.

BP's Forties Field, 90 miles from Brae, is linked by pipeline to Cruden Bay, north of Aberdeen, and by land pipeline to the Firth of Forth.

The Brae Field has a high ratio of gas to oil, but, initially at least, the consortium plans to re-inject the gas. Gas recovery is complicated because the gas contains a significant proportion of carbon dioxide and hydrogen sulphide, which might cause corrosion.

Sufficient methane (natural gas) is present, however, for the Department of Energy to insist that natural gas should not be flared into the atmosphere.

The department has tried to pursue a policy of pressing for the maximum recovery of all hydrocarbons, including natural gas and natural gas liquids, before approving recent development plans.

Surprisingly, it relaxed that policy recently to allow for early development of Phillips Petroleum's Maureen Field, to provide more work for the hard-pressed offshore supplies industry.

That approval has closed some options, such as pipeline links between Brae and Maureen and some other prospective North Sea developments. But a gas gathering pipeline between fields such as Brae, Toni/Thelma and even the Sleipner Field, in the Norwegian sector, might eventually prove possible.

The partners in the Brae Field are Marathon (operator), British National Oil Corporation, Bow Valley, Kerr McGee, Ashland, Ashland Canada, Siebens, Saga and Louisiana Land and Exploration.

Domestic coal stocks 'are dangerously low'

BY JOHN LLOYD

STOCKS OF domestic coal are "dangerously low" in certain areas of the UK, according to Mr. Tommy Thomas, director of the Coal Merchants' Federation.

Mr. Thomas said that supplies in Scotland, the North-West and South London had been particularly badly hit by disruption on the railways and in road transport. If stocks were not built up quickly, serious shortages of supply could result in the next two weeks.

In the event of a mineworkers' strike, the domestic coal merchants would "very quickly" find their stocks exhausted.

Most large merchants had reasonable supplies of coal, but the very many smaller merchants were finding it hard to maintain continuity of supply. Some had already begun rationing customers.

Mr. Thomas called on the National Coal Board to make a "reservoir" of coal — 500,000 to 750,000 tonnes — available to domestic merchants each winter.

"The present situation is that we suffer from shortages every winter, and we tend to live from hand to mouth. With a guaranteed stock of coal available to us, we would be much more secure."

Expansion for detector company

THE LURE of buried treasure has led to a £750,000 expansion for a Highland company and the creation of 150 new jobs. Savo Electronics of Inverness make metal detectors which are sold worldwide to keen treasure-hunters. To meet demand, the company is expanding into a new 18,000 sq ft factory and trebling its workforce.

The company was established in 1976 by an American marketing consultant, Mr. Alfred Olsen of Oregon, following a request from White's Electronics to survey the European potential for metal detectors and find a suitable place for their production.

He began in a 6,500 sq ft factory in Inverness owned by the Highlands and Islands Development Board. Since then the workforce has expanded from three to 50, and turnover is expected to reach £1.5m this year and £2m by 1981.

Extension

Mr. Keith Farquarson, head of the HIDB's industrial development division, said the extension to the factory was the largest such project undertaken by the board. "This expansion will make the firm one of the leading industrial employers in Inverness with a base on which to build future growth."

Recently, a hoard of 100,000 Roman coins—the largest ever found in the UK—was found in a field near Swindon by an amateur treasure hunter using one of the company's detectors.

Mrs. Williams seeks views on local reorganisation

BY PAUL TAYLOR

MRS. SHIRLEY WILLIAMS, Education Secretary, has asked 24 organisations for their views on Government plans for local government reorganisation, including returning education responsibilities to the nine big cities in England and Wales.

Proposals for local government reorganisation were outlined in a White Paper in January.

The proposed changes, apart from the transfer of educational responsibility, include the return to district councils with populations over 100,000 of social service and transport management powers.

Although the Association of County Councils opposed the changes, largely on the ground of disruption and possible cost, Mr. Peter Shore, Environment Secretary, is likely to be influenced more by Labour local authorities who see them as essential to restore the balance of responsibility between county and district councils. Many of them argue that he has not gone far enough.

Marley to sell concrete roof tiles in U.S.

Financial Times Reporter

MARLEY, the UK tile and roofing manufacturer, and the Celotex roofing division of the U.S. Jim Walter Corporation, a big producer of building materials, have agreed to make and sell concrete roof tiles in the U.S.

The two companies will have equal ownership in a newly formed company, Celotex-Marley Inc, which plans to build a $3.5m (£1.75m) 18,000 sq. ft. plant in southern California.

The plant is scheduled to start production early next year. It will offer fire-resistant tiles in a range of designs and colours to compete with wood shingles, which are popular in California.

Mr. Eric Cook, a director of Marley, said last night: "This is just a start. We want to exploit the roofing market in the U.S. going beyond California." He estimated that the new plant would produce about 15m tilas a year.

Rothman links with Ford for rallying

Financial Times Reporter

ROTHMANS is going motor rallying with Ford. The two companies announced yesterday that the tobacco concern is to back Ford's works driver Ari Vatanen in seven of the events counting towards this year's World Rally Drivers' Championship. On one of the events, the Acropolis Rally in May, the full Ford three-car team of Escorts will run in Rothmans livery.

The sponsorship may also extend to Vatanen in other world championship events, using a works Fiesta which is making its competition debut this year.

Marathon rescue talks hit snags

BY RAY PERMAN, SCOTTISH CORRESPONDENT

AN ATTEMPT, sponsored by the Government, to save the U.S.-owned Marathon oil rig yard at Clydebank is in difficulties following a disagreement over terms.

The Scottish Office announced before Christmas that it was to set up a joint company with the British National Oil Corporation and British Gas to order a rig from Marathon and so preserve employment.

However, three weeks of negotiations between Marathon and the oil corporation, which is acting for the State consortium, has resulted in an impasse. Mr. Ian Clark, a BNOC director, said yesterday a firm offer had been made and the company had been given until the middle of next week to reply. Two Marathon executives involved in the talks have flown back to Houston to consult their principals.

Mr. Clark said negotiations had been tough, although the atmosphere was friendly. "We mentioned prices which they acknowledged as reasonable, but they have their own particular difficulties and indicated to us that our prices would not induce them to accept an order."

The offer taken back to Houston is understood to have been slightly increased by BNOC, but it may still not be sufficient to ensure an agreement.

The Government has been under pressure from trade unions to keep the yard open and shop stewards are to see Mr. Bruca Millan, the Scottish Secretary, in London today.

Work on a rig for the Penrod Drilling Company is virtually complete and the yard has been unable to find other work. About 150 of the 1,100 workforce are taking it in turns to be laid off each week.

MR. IAN CLARKE "negotiations tough."

BNOC wants to order a Le Tourneau 116 jack-up rig from Marathon for use in shallow waters around Britain and this could cost about £15m, although as much as £4m would be accounted for by equipment supplied by the purchaser. The exact price will depend on specifications and the availability and cost of steel and other raw materials.

BNOC has insisted on a tough line in the bargaining and the Government, which faces criticism in a Parliamentary question later this week over its rescue of Marathon two years ago, has shown no inclination so far to intervene.

Mr. Clark said: "The Corporation has instructions from Parliament to act on a commercial basis. If anyone wants us to go beyond that, we would have to have new instructions."

Rum importers protest at EEC proposal

BY OUR CONSUMER AFFAIRS CORRESPONDENT

BRITISH RUM importers have called on the European Commission to giva fairer treatment to rum traders in Europe.

The importers, members of the Wine and Spirit Association, have presented a detailed case that proposed EEC legislation on the spirits trade "may operate to the disadvantage of rum."

The legislation seeks to reclassify spirits as agricultural rather than industrial products. That would make rum and other spirits subject to the EEC's common agricultural policy. The importers expect serious difficulty.

They have told the Commission that consumer preference should be the governing factor. "Measures should not be adopted which might prejudice consumer choice."

No monopolies probe on accountants' merger

FINANCIAL TIMES REPORTER

THE GOVERNMENT has rejected a demand for the proposed merger of the accountants Whinney Murray and Turquands and Barton Mayhew to be referred to the Monopolies Commission.

In a Commons question Mr. Keith Stainton, Conservative MP for Sudbury and Woodbridge, asked for the merger to be investigated in view of difficulties for medium-sized companies in obtaining services appropriate to their needs as a result of the "increasing polarisation of the UK accounting profession."

In a written reply Mr. John Fraser, Minister of State for Prices and Consumer Protection, said: "A merger only qualifies for investigation under the Fair Trading Act 1973 if, as a result, the enterprise supplies one in the UK or a substantial part in the UK or a substantialpart of the UK, or if the value of the assets taken over exceed £5m.

"I understand that the Director-General of Fair Trading is satisfied that the transaction between the companiea involved does not meet either of these requirements.

"No question of a reference to the Monopolies Mergers Commission therefore arises."

Poor year for UK plastics industry

By Sue Cameron, Chemicals Correspondent

UK PLASTICS consumption rose by 4.5 per cent last year but much of the growth was in imported materials, according to a survey published yesterday.

The survey, in the latest edition of European Plastic News, is based on official figures and estimates. It says that although the 4.5 per cent growth figure was "relatively satisfactory in consumption terms" it was "too often" imported materials that achieved the extra tonnage levels.

UK plastics producers, it says, had lower production levels for both home and export sales in 1978 than in 1977. The lot of the UK manufacturer was therefore "not a happy one."

"1978 was the year when prices of commodity plastics plummeted down from already unsatisfactory levels to rock bottom figures, probably thought even 12 months ago to be ludicrous when viewed against the UK's steady inflation.

"Additionally, the offtake increase was mainly achieved by the bulk polymers with the higher value engineering plastics basically stagnant."

Aggravated

The survey says that the plastics price war in Western Europe was aggravated by cheap polymer imports from Eastern Europe.

"The volume of these materials was not massive in tonnage terms and, in fact, generally, it was rather small when taken in the context of the overall market. Yet the turbulence created in the marketplace by small lots of very cheap material can be likened to a stone dropping in the centre of a pool of water, the ripples created spread across the pool completely, and a cheap spot price was soon talked of as the going rate."

The outlook for the UK plastics industry in 1979 says the survey is "not particularly promising but there is undoubtedly scope for improvement even allowing for the relatively flat economic situation throughout Europe."

New phone system for small offices

BY JOHN LLOYD

THE POST OFFICE is to launch a microprocessor-controlled "small business telephone" system with a range of facilities previously available only on large office exchanges.

A first production order for the system, worth £10m, has been placed with Pye of Cambridge, who designed the system under a Post Office contract.

Initial supplies are expected to be ready next year and marketing will begin in selected areas of the country by mid-1980.

The basic system can cope with up to 10 exchange lines and up to 30 extensions. It is of modular design, and extra features can be added. They include:

- automatic diversion of incoming calls from engaged telephones;
- call hold and transfer;
- conference calling;
- automatic storage and calling of frequently used numbers.

The system is designed to replace several existing office telephone systems, notably key and lamp units and some small exchanges.

BL marketing office top team named

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

THE NEW, centralised marketing office for Leyland Vehicles announced five senior appointments yesterday.

Four are internal and one recruit comes from BL's Special Products group. It is a young team, a feature associated with the management style of Mr. David Abell, aged 36, who was brought in two months ago as chairman and chief executive of Leyland Vehicles.

They will report to Mr. Frank Andrew, appointed last week to lead the sales organisation. The team will consist of:

Mr. Ian Wilson, aged 34, sales and marketing director, UK operations, for two years sales and marketing director of Leyland Vehicles' medium light division in Scotland.

Mr. Peter Woods, aged 42, sales and marketing director, European operations, formerly acting director of Leyland Vehicles' overseas division since joining the group a year ago from the Eaton Corporation.

Mr. Bob Morris, aged 37, sales and marketing director, overseas operations (outside the UK and Europe), formerly director of sales and marketing at Frest cold.

Mr. Barry Childs, aged 45, sales and marketing services director, previously marketing director at Leyland Vehicles, which he joined in 1977 after working for Ford.

Mr. Charles Cotton, aged 31, marketing strategy manager, formerly manager of Leyland Vehicles' power systems, selling engines and gearboxes to customers outside BL.

The new organisation, similar to that set up by Mr. Abell when he took over the Aveling Barford construction equipment companies, is responsible for sales, service and worldwide marketing of trucks, tractors and engines and for Leyland Sherpa and Leyland Passenger Vehicles outside the UK and Europe.

● Austin-Morris cars took 19.3 per cent of the UK car market in January, compared with 15.6 per cent in January last year. With Jaguar Rover Triumph, BL cars took 23.3 per cent of the market.

Victorian woodcuts fetch £6,500 at Christie's

A SET of 26 woodcuts in colours, each representing a letter of the alphabet, produced in 1898 by Sir William Nicholson, sold for £6,500 at Christie's yesterday in an auction of modern British prints. The good price owed something to the fact that the letters E for Executioner and T for Topers were changed in the lithographic editions to E for Earl and T for Trumpeter.

The same anonymous buyer paid £4,500 for a set of woodcuts printed in colours of "London Types," 1898, also by Nicholson and £3,800 for "An Almanac of Twelve Sports," by the same artist. All three lots had been signed by Sir William.

The Imperial War Museum paid a total of £670 for a woodcut and two drypoint etchings of First World War subjects by Christopher Nevinson, and the London Guildhall invested £207 in three etchings of London subjects by Mortimer Menpes.

In the Bonhams silver sale a part canteen of fiddle pattern spoons and forks sold for £540 for 120 pieces and a three-piece James Dixon tea set of 1877 for £440. Phillips sold furniture for £60,795, with an early 18th century oak dresser making £980; a similar 18th and 19th century oak coffer £700; and a 17th century gate-leg table £360. Top price was the £5,800 for a George IV carved mahogany centre table.

SALEROOM

BY ANTONY THORNCROFT

Cocoa rally halted

By Richard Mooney

THE SHARP rally in London cocoa futures prices ran out of steam yesterday afternoon but only after continued speculative buying had pushed the May position up a further £40 to £1,792.5 a tonne during the day.

May cocoa subsequently slipped to £1,766.5 a tonne at the close, only £13.75 higher on balance, in response to renewed heavy selling from the Ivory Coast. Dealers said sales of Ghanaian cocoa products and rumoured offerings of Ghanaian beans also encouraged the fall.

In Boca Raton, Florida, meanwhile, an Ivory Coast official said his country was concerned about low cocoa and coffee prices.

Mr. Rene Amany, general director of the Ivorian Stabilisation Fund, who is attending the Internation Coffee Convention, said farmers might begin to abandon these cash crops unless prices improve. "Coffee is becoming less and less interesting for the Ivory Coast as prices fall," he stated.

Mr. Amany estimated the Ivory Coast 1978-79 cocoa crop at 250,000 tonnes, down from 296,000 tonnes in 1977-78. But he thought the coffee crop would be between 220,000 and 240,000 tonnes compared with 196,000 tonnes last season.

Stockbrokers' retrial opens

BY CHRISTINE MOIR

THE RETRIAL of the two remaining defendants in the protracted Chapman and Rowe stockbroking case opened yesterday at the Old Bailey.

Chapman and Rowe was "hammered" on the Stock Exchange in April 1974 when the firm was discovered to have a financial deficiency of nearly £2m.

Subsequently six partners, four of whom were cleared, were charged with conspiracy to defraud clients.

The jury, though, was unable to reach verdicts in the case of Mr. Alan Harman, one of the partners, and Mr. John Michael Goodsell, the general manager. The retrial is expected to last for four weeks.

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£300m scheme to improve UK coal preparation

BY JOHN LLOYD

THE NATIONAL Coal Board will spend £300m over the next eight years building or re-furbishing 46 coal preparation plants in Britain, Mr. Donald Davies, the board member for marketing, announced yesterday.

In a statement read on his behalf by the Association of Mining, Electrical and Mechanical Engineers' symposium on coal preparation, Mr. Davies said the NCB was intent on improving coal quality and consistency.

The prospect of further imports of coking coal by the British Steel Corporation, particularly for the new Redcar plant, had led the two industries to examine improvements to the blending of UK-mined coking coal, he said.

The general industrial and domestic markets also required continued supplies of high quality coals, which "further emphasised the need for effective and consistent coal preparation."

Mr. Davies said relatively slow economic growth, increasing exploitation of North Sea oil and the commissioning of new oil-fired and nuclear power stations were putting coal under pressure in most markets.

But he predicted that after 1985, demand for coal would be such as to test the industry's capacity to the limit.

Mr. Alex Eadie, a junior energy minister, told the symposium, held in Harrogate, he was concerned by the need to import substantial quantities of coking coal and did not believe the country was making the best use of domestic coking coals.

"Coal preparation facilities are being much improved," he said. "The coal preparation engineer is just beginning to reap the advantages of the technological revolution brought about by the microprocessor and the minicomputer. The age of automation in coal preparation has dawned."

Hauliers urge Cabinet to resist EEC plans

BY LYNTON McLAIN

ON THE EVE of the European Court of Justice's decision on the UK usa of tachographs, the British Government has been criticised for failing to opposa EEC transport policies before they become binding in law.

Mr. Hugh Featherstone, director-general of the Freight Transport Association, yesterday urged the Government to oppose EEC plans to harmonise UK and Community transport policies.

He said Britain should present its case on lorry drivers' hours and other proposed changes now while there was still time to influence policy that would be binding on EEC member states once laws were agreed.

Britain had tended to present forceful opposition to EEC transport legislation after laws had been passed. The tachograph was a case in point, Mr. Featherstone said. Britain had failed to implement an EEC directive calling for member states to pass regulations calling for compulsory fitting of tachographs.

The UK Government was taken to the European Court and today's decision is expected to call on the UK to adopt EEC laws promptly.

It was impossible to persuade other EEC members to change after laws had been passed, Mr. Featherstone said. EEC law was inflexible and far less responsive to change than UK law.

By taking a firm stand on fundamental issues affecting UK transport policy the Government might be surprised at the support it might generate from other EEC members.

Textile industry alarmed over China trade deal prospects

BY MAURICE SAMUELSON

CONCERN that the EEC's textile industry could be harmed by negotiations with China has been expressed by the UK textile industry in a letted to Mr. John Smith, Trade Secretary.

The industry is worried that an agreement with China could lead to a breach of the total import ceilings set by the EEC in its trading arrangement with low-wage textile suppliers.

Dr. Brian Smith, president of the British Textile Confederation, said that China's textile and clothing production of 2.75m tonnes a year was likely to double by 1985, with considerable increases in production of man-made fibres and polyester/cotton cloth. This, he told the Trade Secretary, could pose a threat to industry in developed markets.

Any EEC agreement with China should be in the spirit of arrangements with other countries at the end of 1977 and quotas should be within global ceilings already set by the Community.

Other points in Dr. Smith's letter are that the agreement should provide for cancellation "if circumstances in China should change;" and they should guarantee supplies of cashmere, an important raw material for EEC manufacturers.

He is also sceptical about the advantage for the UK of an "outward processing" trade with China. Any "outward processing" trade — temporary exporting of goods for finishing in third countries—must be within the agreed product quotas, be says.

Health spending can rise in North

BY PAUL TAYLOR

HOSPITALS and community health services in the poorer North West and North of England health regions are to be given a little extra spending powar in 1979-80. However, this is to be set against a smaller-than-average increase for health authorities in the Thames regions.

Details of the Government's health service revenue fund allocations ware given by Mr. David Ennals, Social Services Secretary, yesterday. The figures show an average increase in planned spending of about 2 per cent in real terms across the country, with allocations totalling £4.27bn in 1979-80.

However, the Government has continued its policy of attempting to achieve a fairer shareout of resources between the regions giving, for example, the North-West region an extra £12.2bn (3 per cent) compared to an extra £8.5bn (1 per cent) for the North-West Thames region.

These changes are aimed at reducing the gap between needs and resources in the poorer health regions while giving every region at least an extra 1 per cent in real terms which Mr. Ennals said will enable the Thames regions to "switch their funds to their deprived areas."

The main problem for some of the "richer" Thames regions is balancing the growing health care needs of, for example, Essex and the declining population of London against the Government's inner city policy.

Rates by instalment plan for industry

BY PAUL TAYLOR

INDUSTRY AND commerce will have the right to pay rates in instalments under a Government Bill published yesterday.

Main proposals in the Local Government Finance Bill include extending to all ratepayers the right of domestic ratepayers to pay rates in instalments and extending domestic rate relief to cover more mixed business-and-domestic premises.

The Bill will give the right to a separated wife or husband to claim rate relief if he or she is living in the matrimonial home and satisfies other conditions.

On the other hand, the Government proposes to limit ratepayers' right to appeal against a new ratable value assessment to a year after the rating review, unless there are special grounds for appeal.

The Bill allows for re-rating of properties during the five years before general ratings, to take account of minor structural changes, such as the installation of central heating.

Local authorities are to be given greater discretion in offering discounts for early rate payments.

The Bill makes new provisions for rating valuation, rate collection, rebates, support grant and other grants, including those to local authorities for emergencies and disasters.

The new provisions closely follow the Green Paper on Local Government Finance, published in March 1977, and the recommendations of the 1976 Layfield Report.

Accounts report may ignore State groups

By Michael Lafferty

THE INFLATION accounting problems of the nationalised industries seem unlikely to be dealt with in new proposals for inflation accounting generally which will probably be issued in April.

This is the view of Mr. Tom Watts, chairman of the Accounting Standards Committee. He is also sitting on a special Whitehall committee currently studying nationalised industry accounts following the outcry last year over accounting policies adopted by some of the State companies.

Meanwhile, the final draft of the inflation accounting proposals, prepared by Mr. Douglas Morpetb's Inflation Accounting Steering Group, has been submitted to the Accounting Standards Committee. Once the ASC approves it, the way is open for publication.

Government reminded of pension pledge

By Eric Short

AGE CONCERN has called on tha Government to fulfil its promisa that the State pension level would be kept in line with earninga.

Mr. David Hobman, director of Age Concern, in a latter to Mr. David Ennals, the Social Services Secretary, says that the Government underestimated the rise in earnings by 1.7 per cent in the last penaions increase in November. He is concerned about a statement made by Mr. Stanley Orme, the Pensions Minister, that the Government was under no statutory obligation to make good this shortfall.

Mr. Hobman says that those receiving aingle pensiona are over £15 worse off in total and married couples £20 worse off. He aays that it would be administratively difficult to adjust the weekly rates, but urges the Government to give lump-sum payment on the lines of the Christmas bonus.

Mr. Hobman also atlacks the review made by the Department of Health and Social Security on the supplementary benefit scheme. It fears that certain penaioners could find their benefits reduced if some of the proposals were implemented.

The need for resources to he alloealed to other heneficiaries is not questinned, but Mr. Hobman says this must not be dona at the expense of pensioners. A review should have been made by an iodependent body, be says, not a group nf officials.

Fewer regulations 'could lead to cut in air fares'

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MORE COMPETITION leading to cheaper fares on UK internal air services might spring from less regulation of such operations, the Civil Aviation Authority says in a "consultation document" issued today.

Pointing out that for many years air transport in the UK has been closely regulated, the authority questions whether recent changes have been enough to stimulate traffic growth and cheaper fares.

There may be scope for more competition and for giving the airlines greater freedom to act commercially, "subject to the supervision the authority would maintain in the public and the consumer interest."

Among the possible changes, the authority says, is one to enable three airlines to compete on domestic trunk routes between London and Glasgow/Edinburgh from three airports. The present limit is two airlines (British Airways and British Caledonian) operating from two airports (Heathrow and Gatwick).

An alternative might be different fares for the same routes from different airports.

For routes linking provincial cities it might be worth permitting unrestricted services from new airlines which think they can make a success of such operations.

On the question of reducing fares the authority says it would be wrong to expect too much from direct price competition: between airlines which already face strong competition from surface transport.

Nevertheless, some benefits to the consumer might be achieved by reducing regulatory control. On possibility might be to establish a "zone of reasonableness" within which airlines could raise or lower fares without specific approval.

Alternatively, cheaper fares might take effect automatically after a specific period, unless objections or representations were made.

The authority says that the air transport industry and the public are likely to do better if regulatory intervention is kept to an unavoidable minimum.

"In a free market, competition should ensure a high standard of service to the consumer at the keenest prices.

"There may also be benefits to be gained by airlines and consumers alike from regulating sparingly even if greater competition does not result."

New landing system for Heathrow Airport

By Lynton McLain

A NEW landing lights system is to be installed at Heathrow Airport, London, to enable pilots to approach runways and land aircraft with greater accuracy.

Existing landing systems are based on radar, radio and visual identification of landing lights but the new system is based on red and white lights set at angles along the runway.

An approaching pilot will see combinations of lights which vary in a predetermined way with his angle of approach. Once he has recognised a particular combination the pilot is then able to take the necessary action.

Indicator

The Civil Aviation Authority, which is responsible for technical standards at British airports, said the new system is more precise in indicating the correct flight path. It has a greater short range accuracy than existing systems.

The system is called the precision approach path indicator (PAPI) and has been tested at Gatwick. The authority said the system is cheaper than the existing visual approach slope indicator, which gives pilots an illuminated "channel" for aircraft approaches.

PAPI gives pilots a pinpoint target and the results of the Heathrow tests will be sent to the International Civil Aviation Organisation, part of the United Nations, for evaluation.

£5½m aircraft lease orders

FINANCIAL TIMES REPORTER

BRITISH MIDLAND AIRWAYS has won contracts worth £5½m, leasing unused BMA aircraft to foreign airlines.

Mozambique's DETA airline has leased a Boeing 707 for 12 months for freight and passenger services between Maputo, the capital, and Lisbon and Rome.

A second, 15 month contract, was placed by Pakistan International Airline for two Boeing 707s, which will join another BMA 707 on services between Pakistan and the Gulf.

BMA, based at the East Midlands Airport, has earned over £34m in foreign currency since it began leasing aircraft six years ago. More than 25 international airlines have used the service, which includes engineering support, crew supply and marketing assistance.

Unit factory tenders called

ANOTHER 39 unit factories, totalling 79,000 square feet, are to be built on the Moulton Park employment area, Northampton.

Tenders have oeen invited for the work, expected to start in June, which will bring unit factories at tba Park tn 320,500 square feet and the tntal built by the Northampton Development Corporation to 886,200 square feet.

More use Tyne port

THERE HAS been a rise of 23 per cent in the number of passengers using the Port of Tyne. According to authority figures released yesterday, 212,390 passengers used the port last year.

Cargo tonnage at the port showed a more modest increase rising 3.5 par cent to 5.085m tonnes, an increase of 182,289 tonnes.

Northampton homes boom brings sales

Financial Times Reporter

SINCE THE beginning of last year the Northampton Development Corporation has reached agreed sales for 185 acres of private housing land, providing 1,850 homes. During the corporation's first eight years only 141 acres were sold.

Apart from demand for speculativa sites, individual plots for "one-off" homes are popular. Tha first houses in a Western Favell development should start in June, at a current land price of £12,000 for a standard quarter acre.

Cut-price rail fares planned for families

BY COLLEEN TOOMEY

A NEW FARE deal for families is being introduced by British Rail. Family railcards, similar to those now in operation for senior citizens and students, are planned.

Details of the scheme are still being worked out but British Rail expects to launch family railcards before the summer school holidays.

In a second move aimed at encouraging family travel, British Rail is to raise the age at which children are charged half fare on trains from three to five years. This will take effect later this year.

For at least a century, parents have had to pay half rate for children over three years. The upper age limit for half fare travel will remain at 14 and British Rail has no plans to change this.

British Rail estimates that at least 7m families in Britain could take advantage of the new railcard scheme.

Under existing schemes, pensioners and students can buy half-price travel by producing their railcards which cost £7 a year. A similar, competitive price for family railcards is expected.

In the last financial year, passenger sales were £593.4m of which £204.1m constituted reduced fares. Season tickets contributed £138.4m to turnover.

So far, the only depressing factor at the start of an otherwise good year has been strike action, estimated to have cost British Rail around £5m on each disrupted day.

Boosey and Hawkes will shut Malta factory

FINANCIAL TIMES REPORTER

BOOSEY AND HAWKES, the 200-year-old music company, is closing its instrument manufacturing factory in Malta.

The decision came after long discussions between the company and the Maltese Development Corporation, which in 1970 provided it with about £20,000 to open a factory employing 50 people.

The music instrument division until two years ago contributed about half the profits and music publishing the rest. Stiff competition from the U.S. which, the company maintained, over-produced and under-cut its prices on the European market, bas tipped the profits balance.

In addition, instruments made in Malta were sold to local authorities for students. Education grants were later cut and demand dropped greatly.

Last year, the Malta factory made 6,000 instruments for export. Until recently it was producing 150 instruments a week.

Boosey and Hawkes's musical instrument division has been in difficulty for several years. In 1977 the group's pre-tax profits were down 8 per cent at £1.03m despite increased sales of £17.9m. The drop in profits was attributed by Mr. Hugh Barker, chairman of the company, partly to poor performance in the division.

Steel idea wins man £2,000

KEN BURTON, who provided an idea to save the British Steel Corporation £20,000 a year, was given a cheque for £2,000 yesterday. Mr. Burton, aged 33, of Cliff Crescent, Loftus, Cleveland, who works in a rolling mill at Skinningrove, near Saltburn, received the highest sum awarded by British Steel for a crane device to right large, heavy pieces of hot metal turned over during tha ateel-making process.

Mr. Keith Jones, the divisional suggestions officer, said: "These pieces of steel are up to 80 ft long and weigh five tons. When they flip over they are very difficult to right and it would mean a loss of £500 a time if they were not righted."

Mr. Burton and his workmates have been earning an increased tonnage bonus since the devica was introduced 18 months ago.

Advertising controls under study

By Maurice Samuelson

A WORKING party to discuss the need for more statutory powers to control advertising "deficiencies" has been set up by Mr. Roy Hattersley, the Prices Secretary.

In a written parliamentary answer, he said that he hoped the working party, including representatives of the advertising industry and Government, would meet in about two weeks and produce proposals by the summer.

The Advertising Association said it "welcomed" the inquiry but had not yet decided who would serve on it.

Mr. Hattersley told Mr. Mike Thomas, Labour MP for Newcastle-upon-Tyne East, that while the self-regulatory control was the best way to respond to public opinion, "certain identified deficiencies in the existing system might best be remedied by the addition of some new statutory powers."

The working party had been suggested by advertising industry representatives at a meeting last week with the Prices Department. Both sides had been in broad agreement on the principles which should govern effective regulation of advertisements.

CONTRACTS

£1m laundry for French hospital

POLYMARK INTERNATIONAL bas won a £1m turnkey contract to supply and instal a complete laundry in a 2,400 bed hospital at Le Mans, France.

★

TELEPHONE RENTALS has received orders worth more than £500,000 from Grand Metropolitan for installing four electronic private digital transit exchanges — the TR PDX — in London, Bristol, Manchestar and Birmingham. These will form the basis of a countrywide private network for Grand Metropolitan, to bandle all forms of telecommunications. Telephone Rentals has also won an ordar from GKN (South Wales) to lnstal and maintain a 1000-line crossbar internal telephone system at the company's works in Cardiff.

★

HUMPHREYS & GLASGOW SERVICES has been awarded a contract worth £450,000 by Willment Brothers for the installation of mechanical services in seven new residential blocks and one new administration block for the Feltham Borstal long-stay unit project. The work is schedulad for completion in 18 months.

★

Work is starting on three advance factories of 7,000 sq ft each for the Department of Industry at Leechmere Industrial Estate, Sunderland. The factories are terrace unit type and divisible into four units of 1,700 sq ft each. A contract worth about £390,000, including site development, has been awarded to J. JARVIS & SONS, Newcastle upon Tyne.

★

WEIR CONSTRUCTION has been awarded e contract valued at about £262,000 by Renfrew District Council for the erection of 20 houses at Bridge of Weir, Renfrewshire.

Familiar dilemma that faces Edwardes

NEWS ANALYSIS

BL PAY CRISIS

BY ARTHUR SMITH

VOLUNTARY redundancies are welcome enough at British Leyland: the men are only too pleased to take the money. The difficulty facing Mr. Michael Edwardes, BL chairman, in the latest crisis, is to gel the employees who remain to achieve the same level of output.

That ia a dilemma that has confronted many past managemants.

December's two-to-one vote by 100,000 manual workers at BL Cars in favour of the company's package, which would have increased earnings by up to 16 per cent, was regarded in many quarters as a triumph.

The company offered a three-part deal. There was a "nn strings" 5 per cenl increase, in itself a gesture of good will considering that the Government was insisting that that was the maximum under pay policy.

The other elements depended upon improved output to he self-financing. BL agreed to meet from this month the overtime and shift awards negotiated nationally with the Engineering Employers' Federation.

Breakthrough

The Government and the federation made clear that such payments, worth £4 a week on average to many of the 20,000 workers at Longbridge, should be set against the 5 per cent.

BL's decision to make the payments a supplement, provided they were self-financed, caused a stir in Parliament at the time and were considered an important breakthrough by the unions.

The isue that baa provoked the strike threat is the programme towards parity — the same wage for tha same job, regardless nf plant—by November.

Management for years has seen the reform as the way to settled the BL's industrial relatinns and to prevent leapfrogging pay claims.

According to management, performance to justify such payments, worth up to £10 a week for employees at lower-paid plants such as Longhridge and Cowley, is measured against output in 1977.

That year, when the company suffered the month-long toolmakers' strike, an eight-week dispute at the Lucas components company and disruption at Speke, saw an average output of 5.77 cars a man.

Advertisements

Management maintains that parity payments might be awarded this month, but backdated to November 1 last year, provided that output of 6.16 cars were achieved in the period to April this year; 6.34 cars to October; and 6.52 cars from November onwards.

In reality, BL argues that output in November last year, because of the strike at tha Drews Lane component plant, fell to 3.8 cars. In December it waa 5.2, and in January, partly because of the road hanlage strike, 5.1.

On that hasis, management maintains that tn fund payments back to November would require a level of 7.3 cars this month and next. It considers that unrealistic.

In full-page advertisements in the local and national Press, BL is talling workers that "a small increase" in performance—6.4 cars—might ensure payment backdated to January 1.

The unions insist that no detailed figures of required output performance were given by management. Mr. Grenville Hawley, automotive secretary of the Transport and Ceneral Workers' Union, said that negotiators were convinced that they had Improved output as required and agreed 7,000 volnntary redundancies.

Mr. Hawley confesses that the agreement upon which the ballot of the workforce was conducted might have been "loose" but insists that negotiators were surprised at management's announcement that parity payments bad not been earned.

Whether justified or not, the feeling of hetrayal and anger were unmistakable among senior shop stewards who gathared in Coventry on Monday to endorse the unions' call for a total strike.

The move to call mass meetings at tba 34 BL plant before deciding about a strike next Monday serves two purposes: to give time to seek an accommodation with management and to allow union leaders to gauge wbether there is sufficient support to make the strike official.

Management hopes that the expensive "communications" exercise under way through newspaper advertisements and direct warnings to the shop floor will appeal to the good sense of the workers.

Action

BL has made clear that a strike will only delay further parity and shift payments and might endanger jobs.

Mr. Edwardes has made a principle of his management style that his words, bowever unpalatable, must be carried intn action. Scepticism was widespread at the time of the shop floor ballot over the 16 per cent package that management wonid deny the mnney if it were not earned. Mr. Edwardes is oul to prove that when he saya "self-financing" he means it.

If ever there were a good time for a dispute, it might be now. Distributors report good stocks of BL cars, particularly in the volume Austin-Morris models. However, as Mr. Ray Horrocks, the Austin-Morris managing director, observed yesterday, a strike wnuld in the long term damage the confidence of distributors and customers.

Each dispute damages revenue, cash flow and profitability, impairing the ability to justify new investment and maintain employmant.

No cuthack at BL is likely to be dramatic. Instead, operations would be gradually run down for lack of new investment.

Sympathy in BL is scant for the idea of retaining the profitable specialist car nperations of Jaguar and Rover and running down or selling off Austin-*Morris*.

Damage to the volume end of the business would depress UK market share, damaging confidence and leading to mass defection within the dealer network.

Jaguar Rover Triumph would fall victims to that and to the loss nf economies of scale in the supply of body shells and components.

In the words of Mr. Pat Lowry, the BL personnel director, there can be winners from a strike. Neither management nor workers can afford the luxury of a "Ford-type strike."

The confrntation serves only to emphasise the point made hy Mr. Edwardes last autumn of the need for an incentive scheme.

Mr. Edwardes believes that the parity programme, although based on productivity, acts more as a penalty on failure to achleve than as a reward for individual effort. The initiative rests with management to appeal to the "good sense" of workers and to offer them tha incentive to raise output, and, with it, earnings, tn the level of European competitors.

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Callaghan urges clemency for Bhutto

THE Prime Minister yesterday appealed to Pakistan's ruler, General Zia Ul-Haq to spare the life of his country's former Prime Minister, Mr. Bhutto.

Mr. Callaghan told the Commons this yesterday in the wake of the decision by Pakistan's appeal judges that Mr. Bhutto must hang for conspiring to murder a political opponent.

But when Mr. Francis Pym, Tory shadow foreign secretary, supported the Prime Minister's action, he was confronted with angry shouts of "why?" from some Tory backbenchers, including Mr. Norman Tebbit (Chingford).

Mr. Callaghan told MPs he had made official representations to General Zia to spare the life of Mr. Bhutto.

"I believe the consequences of clemency will be more beneficial to his country than carrying out the strict application of the law."

Later, Dr. David Owen, Foreign Secretary, rejected a suggestion from Mr. David Steel, Liberal leader, to recall Britain's Ambassador in Islamabad for urgent consultations.

Dr. Owen said: "It is the task of Her Majesty's Ambassador to remain in Islamabad to represent the views of Her Majesty's Government."

Dr. Owen added: "The Government hopes the President will find a way to temper justice with mercy."

Mr. Pym ran into trouble with a small number of his own backbenchers as he said the Conservatives agreed with the representations being made to the Pakistan Government.

Dr. Owen agreed to keep in mind the suggestion of Mr. Phillip Whitehead (Lab., Derby N) that Britain should offer to take Mr. Bhutto.

Former Labour Commonwealth Secretary, Mr. Arthur Bottomley, a close friend of Mr. Bhutto, said: "I have always found him a man of honour and integrity.

"I believe him to be a man who wants to serve his country, and I would be terribly upset if his life was to be ended in this way."

Mr. Tebbit said later: "If a politician in Britain was tried for conspiracy to murder and was found guilty, I would regard any messages on the matter of his sentence from General Zia as being a gross interference with the internal affairs of the UK.

"Similarly, I think it best if we politicians in Britain keep out of the internal affairs of Pakistan and any other country."

GYMSLIP LOBBY: Hornsey School pupils put their arguments to reopen to Mr. Hugh Rossi, MP.

School workers' pay claims 'put 50,000 jobs at risk'

BY IVOR OWEN

LOCAL EDUCATION authorities were urged by Mrs. Shirley Williams, the Education Secretary, in the Commons last night to do everything they could to keep schools open when caretakers and other ancillary workers go on strike.

She underlined the dangers which face the public service unions in pursuing "illusory gains" by disclosing that 30,000 teaching jobs and 20,000 non-teaching jobs would be put at risk if pay increases of 15 per cent were conceded by the employers.

Mrs. Williams came under strong attack from Tory MPs for failing to give the leadership required to overcome the disruption of the education services in many parts of the country which has resulted from the current industrial unrest.

She stressed that the great majority of schools was still working normally. Of the 1,150 schools closed at lunchtime yesterday, about 900 were in the areas of 10 local education authorities.

While sympathising with the problems of low-paid workers in the schools, Mrs. Williams reaffirmed the Government's determination to avoid double-figure wage increases.

To do otherwise, she said, would be to put the economy and the country at risk, with the possibility of it being sucked into another crisis.

This would put pressure on sterling, leading to still more restrictive measures as part of the inevitable attempt to rectify the situation.

Mrs. Williams recalled that she had been down the "stony road" of public service expenditure cuts before.

"Now, like my colleagues, I am able to see the prospects for a modest improvement—smaller classes, more in-service training, a first step towards a national scheme of educational maintenance allowances for 16-to-18-year-olds, some addi-

tional resources for school improvements and nursery schools."

All this, said the Minister, would be put at risk for what were "illusory gains."

Some boys and girls will suffer all their lives because school closures through industrial action are hitting their examination chances, Mrs. Williams warned.

She said she deplored the loss of school time for children.

"Children cannot repair their formal education and many will never recover.

"Some boys and girls will suffer all their lives long by failing exams because they are unable to prepare for them."

Mrs. Williams said: "Some of these boys and girls are the children of people involved in the disputes.

"However strong the sense of grievance, I cannot see what is to be gained by imposing the grievance on children."

Mr. Mark Carlisle, the Conservative shadow education minister, condemned strikers for treating the education services as nothing more than a

pawn to be tossed aside in the battle for higher wages.

The interests of the children had been disregarded and although Mrs. Williams had used some fine words in describing the use of the strike weapon to prevent children going to school as "wholly unjustified," she had not backed them up with action.

In fact, he said, Mrs. Williams had stated that she was not advocating that teachers or others should do the work of those who were on official strike.

"She is by her unwillingness to give any type of lead in this matter, totally condoning what she claims to be unjustified."

Mr. Carlisle made it clear that he was not calling for the use of troops to keep the schools open, but appealing to the Minister to give a lead in terms which would ensure education was carried on.

For the Liberals, Mr. Alan Beith said of the local education authority workers: "There is a sense of panic among these people which makes them a prey to their unions. They fear they will be overtaken in the pay race.

"No-one has done a greater disservice to these unions than the NUPE general secretary, Mr. Alan Fisher.

"If the caretakers and dinner-ladies get a good increase, what will happen to the National Union of Teachers' 35 per cent? It will be even higher. People will say differentials must be maintained."

What these people did not realise was that they would be paying for their own wage increases through higher rates and extra taxes, he said.

Winding up for the Tories, Dr. Rhodes Boyson said: "It seems a very sad commentary on society when children are used as pawns in a wages battle."

It was a test of a civilised society that the sick and children should not be involved in such issues, he said.

"Disputes are becoming almost an epidemic in almost all sectors of the education service."

The Government had a majority of six at the end of the emergency debate on disruption in schools. Voting was 276-270.

THE LABOUR GOVERNMENT has been the best recruiting agency for independent schools, Mr. Mark Carlisle, shadow education spokesman, told the Commons yesterday. If private schools were scrapped it would add £150m to the teaching allowance. It would also be against the principles of the UN and European declarations of human rights, he said.

Mr. Anthony Grant (C, Harrow) urged that no action be taken to damage "these excellent establishments" whose facilities had been used by prominent socialists. Miss Margaret Jackson, Education Under-Secretary, said she knew of no such use.

PM rejects picket change

BY PHILIP RAWSTORNE

AMID noisy Tory protests, Mr. James Callaghan yesterday firmly rejected demands for sweeping changes in the law on picketing.

"If the country went down that road, we would be no better off than we are today," he declared.

"Worse, worse off," Labour MPs shouted.

Mrs. Margaret Thatcher, cheered by her backbenchers, said that recent events had shown that codes of practice on picketing were just not enough.

The Chief Constable of Greater Manchester had said that the law was unenforceable without the police present at every single picket line.

What changes was the Prime Minister going to recommend? she demanded.

Mr. Callaghan advised the Tory leader to consider the situation carefully before she called for sweeping changes in the law.

To Tory derision, he said that the problem with some codes of practice is that they had not been observed.

"The danger you run is that you might bring the law into contempt if that were not observed."

The Tory leader retorted that the danger was that the Prime Minister would do nothing. If the law could not be enforced, it should be changed.

"You never hesitate to use the law to increase the power of the trade unions," she snapped. "Why hesitate to use it to redress present-day grievances?"

Mr. Callaghan replied that he did not wish to see the country repeat the "fatal mistake" of 1971-73.

It was not enough to put a law on the statute book. You had to ensure that there was sufficient acquiescence not to bring it into contempt.

The Government was trying, through the "good sense of our fellow countrymen," to see that the collective strength of the unions was not abused but used with restraint.

"This is the better way and the more historic way to proceed," he said.

Mrs. Renee Short (Lab Wolverhampton NE) said that the "crude attitude" being adopted by Mrs. Thatcher to the trade unions would ensure that if she ever came to power present problems would "look like a vicar's tea party."

Mr. Roy Hughes (Lab Newport) suggested that the real issue was not the strength of the unions or picketing but the large number of people on low pay.

"Isn't the answer to give them a realistic wage?" he asked.

Mr. Callaghan replied that the public was concerned about both aspects.

Secrets Bill defeat

THE FIRST major confrontation between the Government and supporters of Liberal MP Clement Freud's Official Information Bill took place in a Commons committee room yesterday—and ended with a Government defeat.

Mr. Brynmor John, Home Office Minister of State, angrily accused the sponsor Mr. Freud, of "steamroller" tactics.

The row concerned who should be responsible for classifying secret documents. The Bill's backers insisted it was vital that Ministerial responsibility for classification should be written into the measure.

They opposed firmly a move by Mr. John to give this power to "responsible authority"

Hint on election funding

BY ELINOR GOODMAN

THE Government may try to introduce a Bill which would provide political parties with money to fight the European Parliament elections.

Mr. Michael Foot, Leader of the House, said in a written answer earlier this week that the Government was prepared to support the principle of making public funds available for the June elections.

Without state funds, the Labour Party and smaller parties in Westminster would have virtually no money for fighting the European elections.

North Sea tax review promised

THE GOVERNMENT has agreed to review the operation of tax rules on the production of associated gas from North Sea oilfields, Mr. Joel Barnett, Chief Secretary to the Treasury, announced in a Commons written reply last night.

He said the oil industry had made representations about the way the tax and royalty rules affected the economics of the production and disposal of gas produced in association with oil, and the use of shared pipelines in the North Sea.

"Inland Revenue officials, the Treasury and the Department of Energy are jointly considering the possible need for clarification of the existing law and for changes in the law and will be making recommendations to Ministers in due course.

"The issues involved are complex and the review can be expected to take some months to complete.

"In the course of the review, officials will consult the companies affected and the British Gas Corporation," said Mr. Barnett.

Shore pleads with water workers

BY PHILIP RAWSTORNE

MR. PETER SHORE, Environment Secretary, yesterday appealed to water industry workers to resume pay negotiations in the national interest.

"Their rejection of a 13.9 per cent offer had been "a major setback," he told the Commons.

It could have serious implications for the economy and for industrial relations.

Mr. Shore said that the offer—containing a 6.9 per cent productivity element—would have increased average weekly earnings by £9.81 a week immediately rising to £12.70 in April.

Mr. Michael Heseltine, Conservative spokesman, asked how the union negotiators had been able to recommend acceptance of an earlier offer of 13.9 per cent but had expressed an opinion to their members about the new basis for a settlement.

Was it because of the Prime Minister's weekend speech which, whether by design or carelessness had added "a licence of 2 per cent to all negotiations in the public sector?"

Any settlement that was made was going to have clear implications for all other union negotiators in the public sector, he declared.

Mr. Shore replied that the Government was aware of the possible effect on other negotiations.

The Prime Minister's speech had been helpful, he claimed. But the offer had been rejected by union members when it had been put to them through their democratic procedures.

He assured MPs that the Government had prepared contingency measures for maintaining water and sewerage services in the event of a strike.

At least one of the unions, and possibly two, would have to ballot members before a strike, he told Mr. Jonathan Aitken (C. Thanet E.).

Mr. Cyril Smith (L Rochdale) asked what proportion of the 15.9 per cent offer would be reflected in higher water charges.

"If this offer is not acceptable, what chance is there of other public sector unions accepting 8.8 per cent?" he demanded.

Mr. Shore said he could not estimate the effect on water rates but repeated that the offer contained a substantial productivity element and that the industry was capital intensive.

He agreed with Mr. Eric Heffer (Lab Walton) that the terms of the offer were complicated and did not reflect a straight 15 per cent increase in earnings.

"But at the end of the day one has to aggregate the total increase that arises from whatever arrangement," he added.

Mr. Dennis Skinner (Lab Bolsover) said that the Conservatives were "a gang of hypocrites"—supporting free collective bargaining for workers but then complaining about the burden on the rates.

Their attitude was "deeply contradictory," Mr. Shore agreed.

"But I do believe that there is a common will in the country to defeat inflation and if unrestricted collective bargaining stokes up inflation we have a problem to face ourselves, to adjust and arrange things within the trade union movement and the policies of the Government to prevent inflation getting out of hand."

Today's committee meetings

Select Committees: Nationalised Industries. Sub-committee B. Subject: Report and Accounts. Witnesses: National Coal Board (Room 8, 10.45 am). Science and Technology. General engineering sub-committee. Witnesses: Officials of Department of Education and Science. (Room 15. 10.30 am). Expenditure. Environment sub-committee. Subject: Redevelopment of London's docklands. Witnesses: The Joint Docklands Action Group (Room 15, 4.15 pm). Nationalised Industries. Sub-committee E. Subject: Ministers, Parliament and the nationalised industries. Witnesses: Sir Henry Marking; Sir Keith Granville. (Room 8, 4 pm). Expenditure. Social services and employment sub-committee. Subject: Perinatal and Neonatal mortality. Witnesses: Royal College of Physicians; British Paediatric Assctn. (Room 6, 4.30 pm). Expenditure. Trade and industry sub-committee. Subject: UK Domestic air fares. Witness: Dan Air, Air Anglia. (Room 16, 10.15 am). European Legislation: Sub-committee 1. Subject: Milk Sector Report. Witness: Mr. Edward Bishop, Minister of State for Agriculture. (Room 6, 11 am).

Peart hits at walk-out plan by civil servants

BY PHILIP BASSETT, LABOUR STAFF

LORD PEART, the Lord Privy Seal, in a meeting with Civil Service trade union leaders yesterday, attacked plans by the two largest unions to strike later this month while negotiations on a pay settlement for 600,000 civil servants were still in progress.

Echoing the Prime Minister's weekend speech, he told eight union general secretaries: "To strike while negotiations are still on is wrong.

"It cannot be justified on any principle of trade unionism. It makes a mockery of bargaining. The proper way is to press forward with agreed procedures."

The Civil and Public Services Association and the Society of Civil and Public Servants have called their 295,000 civil servants out on February 23, with selective strikes and an overtime ban to follow. Other unions are considering joining in.

5% insistence

The staff side of the Civil Service National Whitley Council, which negotiates for all civil servants, met Lord Peart yesterday and sought assurances that the Government would implement in full the increases justified by the findings of the Pay Research Unit, an independent comparability study.

The latest union evaluations of the research unit reports estimate that rises due for middle-grade civil servants average between 26 and 36 per cent.

Lord Peart told the unions he would discuss their case with the Prime Minister and the Cabinet. The settlement, due in April, would be based on the unit's evidence, but did not move from the Government's earlier insistence that the settlement should be subject to the 5 per cent limit.

Mr. Bill Kendall, secretary-general of the staff side, said after the meeting that the assurances the unions sought were "absolutely essential if a serious industrial relations problem in the Civil Service is to be avoided."

Dismissal of MP from union 'illegal'

MR. EDWARD MILNE, the former Labour MP, was never legally dismissed from the Parliamentary panel of the Union of Shop, Distributive and Allied Workers, a QC claimed in the High Court yesterday.

Any decision to dismiss him was a nullity because he had not been given a chance to appeal to a union delegate meeting, as was his right under union rules, Mr. John Macdonald, QC, told Mr. Justice Foster.

Mr. Milne, 62, a former USDAW area organiser, is challenging the union's right to deny him office. He claims salary arrears—estimated by Mr. Macdonald at about £14,000—or damages for loss of office.

He is also seeking a declaration that, since entering Parliament in 1960, he has been retained in the union's service, and that after February 10, 1974, when Blyth constituency Labour Party decided not to re-adopt him, he had been entitled to a post in USDAW not less than area organiser.

Mr. Milne clashed with the union after he stood as an independent Labour candidate for Blyth against the official candidate, Mr. Ivor Richard in the February, 1974, election.

USDAW, who had sponsored him as an MP, dismissed him from their Parliamentary panel.

Mr. Milne, giving evidence, said that since leaving Parliament his only income had come from lecturing, writing and television work. He had accepted a lump sum from USDAW in respect of his superannuation entitlement because Parliament paid only three months' "redundancy pay" to MPs who left the House

House. The hearing continues today.

Basic rises of 33% demanded for 2.5m engineering staff

BY OUR LABOUR STAFF

MR. JOHN BOYD, general secretary of the Amalgamated Union of Engineering Workers, yesterday called for a quick, "sensible" reply from the employers to a "reasonable" claim on behalf of 2.5m engineering workers, which calls for increases of 33 per cent in basic rates.

Mr. Boyd said that every engineering employer had to recognise that the claim was reasonable. The basic rates claim, for an increase from £60 to £80, appeared larger than it really was since company- and plant-level agreements, on top of the national minimum, meant that a £20 increase in basic rates would not necessarily amount to £20 new money.

Writing in his union's journal, Mr. Boyd said he hoped the Engineering Employers' Federation would reply to the claim "in an equally sensible responsible fashion, without the necessity of long drawn-out delaying tactics."

The first meeting between the relevant unions in the Confederation of Shipbuilding and Engineering Unions and the federation on the claim, which will mainly be for the union side to submit statements in the claim's support, is set for Monday.

Mr. Boyd, a trade union moderate, also criticised the present wave of industrial action.

He said it was not part of a trade unionist's function to cause food to be wasted, animals to be slaughtered, homes to be without heat, to create travel chaos, or to put people's health at risk.

Trade unionists had responsibilities—which they could not shrug off—to consider others as well as themselves, and in particular to consider the weaker sections of society.

He also called on Government to take further legal steps to prevent "opportunistic" exploitation of working people by manufacturers' and retailers' unnecessary price increases.

Lloyds branch staff strike over new hours

BY OUR LABOUR STAFF

MEMBERS of the National Union of Bank Employees at a Lloyds Bank branch in Basildon, Essex, came out on a one-day token strike yesterday in protest at what the union claims to be lack of consultation on new opening hours. About 20 bank workers picketed the branch.

The bank is keeping about 50 of its branches, including Basildon, open until 4.45 p.m. so customers can use cash dispensing machines.

The union is attempting to make a stand against any general extension of opening hours within the clearing banks and says the bank has proceeded with the scheme in Basildon without consulting staff.

But the bank said yesterday it was "absolutely untrue" that staff had not been consulted. The union and the bank's staff association had agreed new opening times and use of the dispensing machines did not involve any significant extra work.

The union says it is particularly concerned about staff security during extended opening. Clearing bank officials, however, suspect that the union is trying to adopt a more militant stand as part of its long-running row with the banks' staff associations.

Steel Corporation meets TUC over plant closures

BY JOHN LLOYD

THE CLOSURES of Corby steel works, in Northants, and Bilston, in the West Midlands, will be discussed at a meeting tomorrow between the British Steel Corporation and the TUC steel committee.

The 2,300-strong Bilston labour force believes that it has a strong card in an Aston University report, to be published soon by the West Midlands County Council, showing that 2,300 jobs will disappear in Bilston as well as 700 other jobs in the area if the plant is closed.

Workers from both plants will demonstrate outside the Corporation's headquarters in Grosvenor Place, London. An announcement on the plants' future is expected after the meeting.

The Corporation is considering phasing out steelmaking at Corby with the loss of about 7,000 jobs from a workforce of more than 10,000.

Mr. John Cowling, the national executive member of the Iron and Steel Trades Confederation at Corby, said yesterday: "If steel-making is to be phased out we will fight the move to the very end."

The Aston report on the Bilston plant says that all its customers were fully satisfied with its performance, though some said that they would not pay extra for its steel—mainly high quality billets—to keep it open.

The report says that £15-£20m investment in the plant would make it a profitable part of the BSC Sheffield division, but it would then be competing with products already made in Sheffield.

An independent inquiry into the plant's future is under consideration. The workers believe that the marketing case for its products is strong, and that the corporation has failed to take this into account.

Hull dockers to continue one-day strikes

DOCKERS at Hull decided yesterday to continue a weekly one-day strike campaign in pursuit of a pay claim. A meeting of the 2,000 dockers rejected the employers' offer of 5 per cent for an extra 1½ hours work a week.

The men's spokesman said that the offer would have given them only £3.80 a week and that they were required to start work 15 minutes earlier. They have asked for an extra £15 on their present £78 a week with improvements in overtime pay, holidays and sick benefits.

Poll backs national pay guide

A POLL commissioned by the Consumer Council suggests that 76 per cent of people want an independent council set up to recommend national pay guidelines.

The poll was conducted last week. It shows approval of the idea of a pay council by supporters of the three main political parties as well as trade unionists and non-unionists.

Of those in favour, 67 per cent said the council should recommend the level of increases the country could afford; 62 per cent wanted it to decide which groups of workers deserved special treatment; and 60 per cent thought it should resolve pay differentials.

Fifty-seven per cent wanted it to decide which productivity agreements were genuine and 5 per cent to recommend a national minimum wage, while 49 per cent thought it should set a ceiling to increases.

The poll was carried out by MORI (Market and Opinion Research International) and 1,038 people aged 18 and over in 52 parliamentary constituencies throughout Britain were interviewed.

Electrify rail faster, says NUR

BY OUR LABOUR STAFF

THE NATIONAL UNION of Railwaymen called on the Government to introduce a long-term plan for investment in railway electrification allowing for greater speeds and heavier loads, with lower maintenance costs.

Mr. Sid Weighell, the general secretary, said the case for railway electrification was "unanswerable." It was a "continued source of shame" that so many European railway systems had a larger electrified route mileage.

In a submission to Mr. William Rodgers, the Transport Secretary, the union said that Britain had only 20 per cent of her routes electrified, compared with Japan's 40 per cent and Switzerland's 99.

"Successive Governments in Britain have placed short-term financial considerations as a higher priority than long-term economic and social benefits."

FINANCIAL TIMES SURVEY

Wednesday February 7 1979

Italian Engineering

A Government crisis threatens the overall development of Italy's economy and, in particular, the hard-hit engineering industry, which is also faced with a combination of low profitability, inadequate cash flow and high credit costs. This has meant cutbacks in capital investment by the engineering sector, one of the mainstays of Italy's industrial structure.

Industry faces crucial months

By Paul Betts

THE NEXT months are likely to be crucial ones for the future of the Italian engineering industry—one of the backbones of the country's industrial structure which has played a dominating role in the rapid industrialisation of Italy during the past three decades.

After the difficulties of the post-oil-crisis years, serious efforts have been under way in the past few months to attempt to tackle those fundamental distortions and structural defects that continue to threaten the overall development of the economy and, in particular, of the engineering industry. But these efforts are now jeopardised by Italy's uncertain political outlook following the fall of the minority Christian Democrat Government of Sig. Giulio Andreotti last week, and the threat of an early general election.

Uncertainty

In a climate of growing political uncertainty, serious efforts are nonetheless under-way to attempt to tackle those fundamental structural defects that continue to threaten the overall development of the economy and, in particular, of the engineering sector.

During the past two years, the engineering industry has been badly hit by the restrictive monetary policies introduced at the time of the last lira crisis, limiting the annual rate of economic growth to barely 2 per cent. While inflation has been reduced from the excessive levels, some 12 months ago, of more than 20 per cent to just under 12 per cent, it still remains well over the European Community average.

Labour costs have continued to increase. Between 1966 and 1968 they rose by an average annual rate of 8.46 per cent. But between 1976 and 1978, the annual increase of labour costs has lept to 18.65 per cent. In turn, the nominal growth of fixed investments has dropped from 20.6 per cent to 16.9 per cent.

Interest rates, though lower than a year ago, still remain high, and since the stock market continues to play a marginal role in the economy, the industry has been forced to turn to expensive short-term borrowing when it has needed cash.

Dwindling output and cash-flow problems have had many nasty effects. It has meant, at times, lay-offs and plant closures. Even an industrial giant such as Fiat recently had to lay-off temporarily for a month its 12,000 workers employed in its commercial vehicles division as demand in this sector dropped by more than 20 per cent in Italy last year.

In the face of these difficulties, unemployment has continued to grow. There are now some 1.6m people unemployed in Italy, representing about 7.5 per cent of the official labour force.

But these figures disguise the extent of the problem. More than 70 per cent of the unemployed are young, and the official figures do not take into account the large number of people who are (or have been) temporarily made redundant on State subsidised salaries.

For the engineering industry, the combination of low profitability, inadequate cash flow and high credit costs has meant cutting back capital investments during the past two years.

The recession of the domestic market has seriously reduced plant productivity at the same time as forcing companies to turn increasingly towards new foreign markets. In a sense, left mainly to their own devices, many private companies have been able, so far, to weather the recession. In large measure, this has been the result of increased and aggressive export performance, but it has also implied a halt in development.

Production

However, the outlook for the industry has greatly improved. Production is picking up again, although the immediate effect is unlikely to prompt a major recovery in private investments, but rather to bring back plant productivity to normal levels.

The monetary policies of the past two years have resulted in a spectacular improvement in the balance of payments, with a "record" surplus of nearly L7,000bn last year.

For the first time, too, since World War Two, the trade account—thanks in part to the decline of the dollar which has balanced off the negative effects of rising labour costs on export competitivity—is also expected to show a surplus last year.

A three-year (1979-81) medium-term economic recovery plan has now also been drawn up to lay the basis for stable growth in coming years. The plan aims to reduce inflation from 12 per cent this year to 9 per cent in 1980 and 7.5 per cent in 1981.

Growth is to increase by an annual average of 4 per cent during the three-year period. Investments in the depressed south of the country are to be stimulated, and, as a token of goodwill, proposals have already been approved to exempt from taxation (for 10 years) company profits re-invested in the south.

The Bank of Italy has also begun to relax significantly its restrictions by raising the ceiling on bank loans to industry and increasing the rate of credit expansion. This will make an additional L1,000bn available to industry over the next two months.

To promote exports, the Italian Export Credits Guarantee Department has been set up.

Annual lending ceilings for medium-term credits have been raised to L3,500bn and, on short-term credits, to L5,000bn on a roll-over basis.

At the same time the gradual phasing out of the so-called "Italian risk" has meant that Italian concerns, including leading engineering groups such as Olivetti and Fiat, are now able to raise funds at highly favourable rates on the international market.

But the success of the ambitious recovery programme hinges on three fundamental issues. In many respects, they are inter-related. They involve the introduction of an incomes policy to prevent any real increase in wages during the next three years, the reduction of the country's ever-expanding public sector borrowing requirement to release funds for productive investments, and above all, a climate of relative political stability.

For the engineering sector, the incomes policy is perhaps of most immediate concern. Negotiations have now already started for the renewal of the three-year National Labour Contract of members of the Italian Engineering and Metalworkers' Union.

Although labour leaders have recently indicated their willingness to moderate new wage claims and accept the principle of labour mobility in exchange for new job-creating investments, particularly in the south, the engineering and metal-workers' demands, according to the industry, are well above the guidelines spelt out in the economic plan.

Wages

The union is effectively asking for wage increases averaging some L30,000 a month, for the next three years, a shorter working week and greater say in the future investment policies of individual companies.

They have also made it clear that the union would on no account accept any further modifications in Italy's highly inflationary automatic system of wage indexation, which now covers as much as 85 per cent of eroding effects of inflation on the salaries of workers employed in industry. And in the absence of any thorough revision of the present system, the new monthly wage increases would have to be contained below the L10,000 mark if there were to be no real rise in wages.

According to the State-sector Employers' Association, Intersind, the demands of the Engineering and Metalworkers Union could raise labour costs by 42.8 per cent by 1981, while the National Private Employers' Association, Confindustria, estimates that the union demands would result in a 52 per cent increase in labour costs.

Indeed, employers fear that the so-called "good intentions" of the union leaders are being undermined by a more intransigent labour rank-and-file, as well as the disruptive influence of the highly militant members of non-aligned trade union groups.

However, in an attempt to reduce the burden of labour costs on industry, there has been a partial transfer of the social welfare charges paid by companies for their employees to the State. Indeed, to promote investments in the south, the State has now agreed to pay all the social welfare charges of workers employed by companies in the Mezzogiorno.

While the renewal of the Engineering and Metalworkers' National Labour Contract affects both State sector and private sector companies in the engineering industry, the big State groups represent peculiar problems for the private concerns.

The large State groups have, in recent years, been increasingly polluted by politics with the political appointment of top managements. Although the operating subsidiaries of the large State conglomerates such as IRI or ENI, are, in the engineering field at least, technologically highly advanced, the use of these groups as vehicles of political patronage, and a long list of scandals, have not helped the "good image" of the industry as a whole.

In general, however, the image of the Italian engineering industry has not suffered too much. The intricate network of small and medium-sized companies is considered as, perhaps, the healthiest aspect of the Italian economy.

As many as 90 per cent of Italian engineering companies employ fewer than 200 people, giving them considerable elasticity. At the same time, the larger groups employing more than 1,000 people account for about two-thirds of total production. And among these, both in the State sector and in private industry, there are companies that have built up solid international reputations as world leaders in their specific fields.

Costs

But the industry stands to lose a great deal in coming years if the country's long-awaited economic recovery programme is not implemented in the near future and if the rise in labour costs is not cut back.

With the latest Government crisis—Italy's 40th since the fall of Fascism—and a fresh outburst of political violence—the situation is extremely uncertain again.

The Government crisis which formally opened last week stems from the decision of Italy's powerful Communist Party to withdraw its support of the minority Christian Democrat Administration and renew their demands for direct Communist participation in any new government. But the Christian Democrats have flatly rejected this, and unless a compromise is found in the next few weeks, the outcome of this latest crisis will inevitably be an early electoral confrontation.

In such a political climate, there is a serious threat that the painfully worked out economic recovery programme will not only suffer further delays but could collapse completely. Already, some leading international banking institutions are forecasting contained annual growth in Italy this year of about 3 per cent and an annual inflation rate of between 13 per cent and 14 per cent.

Against this background, the improved outlook of the past few months for the engineering industry could quickly swing the other way.

Moves to boost tractor exports

A STRIKING difference between Italy and the UK in the agricultural and construction equipment industries concerns the strength of foreign-owned companies. The British tractor market is dominated by four North American companies—Massey-Ferguson, Ford, International Harvester and Tenneco-Case—all of which have established or acquired manufacturing facilities in the UK. In Italy, by contrast, the two biggest tractor manufacturers are Italian-owned—Fiat, with about 40 per cent of the domestic market and SAME-Lamborghini with a combined share of about 23 per cent. In third place comes the only substantial foreign-owned producer, Landini, which was acquired by Massey-Ferguson in 1959. The combined Massey-Ferguson-Landini share of the Italian market (including imports from other Massey-Ferguson plants) is about 14 per cent.

In most branches of engineering a strong position at home is the essential base on which to mount an attack on world markets. But the great difficulty which European makers of agricultural and construction equipment face is the entrenched position of the North American companies, notably Caterpillar, in most major markets. These companies, operating from a secure home base, are not only very large, but they can usually offer a broad line of complementary equipment and so tend to attract the best dealers.

FIAT TRACTOR OUTPUT

	1973	1977
Fiat Trattori—Italy*	45,700	60,000
Fiat Concord—Argentina	6,900	8,100
Associates and licensees†	13,500	19,800
Total	66,100	87,900

*Excluding knock-down kits.

†In Turkey, Romania and Jugoslavia.

Strategy

Fiat Trattori, which under the new de-centralised Fiat management structure has much greater autonomy than in the past, has been evolving a new strategy to overcome this disadvantage. For a number of years Fiat has been a major tractor manufacturer, ranking fifth in the world league behind Massey-Ferguson, John Deere, Ford and International Harvester. (Fiat is easily the largest producer in the world of agricultural crawler tractors, but these account for a tiny proportion of the total market compared with wheeled tractors).

In 1977 Fiat produced 74,100 tractors in Italy (including knock-down kits), of which about 22,000 were sold in the home market. The company accounts for about 13 per cent of EEC tractor sales and just under 10 per cent of the world market.

To increase its penetration Fiat has evolved a three-pronged strategy—to move towards becoming a full-line supplier of farm machinery, to make the tractor line as complete as possible, especially at the higher end of the horse-power range, and to invest heavily in after-sales service.

Within Italy there are a number of farm machinery companies which are now controlled by or associated with Fiat. These include SAIMM (balers) Gherardi (tillage equipment), Toselli Agrifull (special tractors) and Laverda (combine harvesters). Laverda has about 40 per cent of the Italian combine-harvester market and about 7 per cent of the European market, where it is competing both against the North American-owned companies such as Massey-Ferguson, Deere and Clayson (New Holland) and against locally-owned producers such as Claas and Fahr of Germany.

Thus Fiat already has the makings of a broad line of agricultural equipment. In 1977 the company made a significant move in the U.S. by acquiring Hesston, a well-known maker of hay and forage harvesting machinery. This manufacturing presence in the U.S. could be a first step towards a direct attack on the North American companies on their own home ground. Fiat is already selling several thousand Italian-made tractors a year to Allis-Chalmers and White in the U.S. for sale under their brand names, but in the longer term the Italian company presumably will wish to establish itself in the U.S. with its own line of tractors and farm machinery and its own dealer network. But it is unlikely to take the plunge until it is completely satisfied both with the product range and distribution arrangements.

Whether this will involve an association with one of the major American tractor makers remains to be seen. According to the 1977 annual report Fiat Trattori considers its penetration in the world market to be "acceptable though still insufficient; its ambition is growth, not excluding international mergers in order to acquire a dimension of absolute security and to be able to compete against the American giants." Seven years ago Fiat announced plans for pooling its agricultural and construction equipment interests with those of John Deere, but the two companies were unable to agree terms; it seems highly unlikely that such a proposal could be revived, but Fiat clearly does not exclude international partnerships as one means of achieving its objectives.

Opportunities

In the meantime Fiat has plenty of opportunities to develop its existing products and improve their distribution; it is looking particularly hard at Spain and other Mediterranean countries where farming conditions make Fiat's range particularly attractive. It is also determined to improve its rather low penetration in the UK and West Germany. Fiat's share of the tractor market in these two countries in 1977 was 2.4 per cent and 3 per cent respectively, compared with over 10 per cent in France.

Fiat's main Italian rival in the tractor business, SAME, has followed the different policy of specialising in "tractors—" although it is also a major European producer of air-cooled diesel engines for use in its own machines and for outside sale. SAME produces about 21,000 tractors a year of which about half are exported; its subsidiary Lamborghini makes a further 9,000 tractors a year.

SAME does have a marketing company, Ager SPA, which supplies tractor implements and other agricultural equipment, but the group has no intention of becoming a full-line equipment manufacturer. The management feels that by producing a high-quality product that is clearly identified in the market—it has made a speciality of four-wheel-drive tractors—it can hold its own against larger competitors.

An interesting move in line with this policy was the purchase of a 35 per cent interest in Hurlimann, the leading Swiss tractor producer. This company has a high-quality image and one of the other attractions for SAME was that it uses a different technology—the water-cooled engine.

Objective

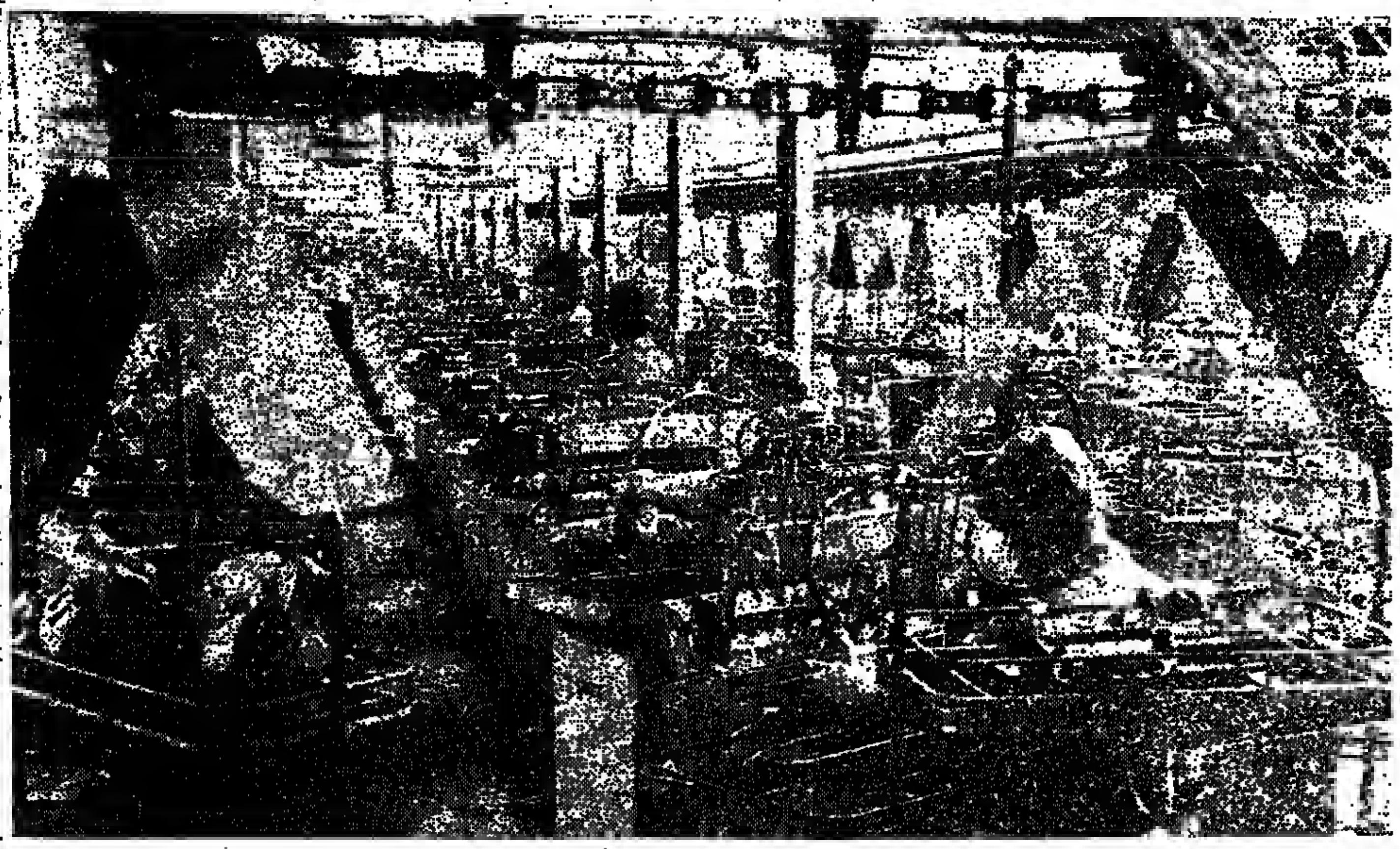
The general objective is to produce a range of high-quality tractors within the SAME group, sold under several different brand names in Europe and North America and using a high degree of common components. With a 15 per cent increase in sales in 1978 the management believes that it is on the right track.

There are a number of smaller producers of tractors and farm machinery which have shown a consistent ability to maintain their share of the market. It has often been predicted, both in the agricultural and in the construction equipment sectors, that the smaller European companies would gradually wither away or be absorbed into the larger groups. But this process of rationalisation is an extremely gradual one. In Italy, particularly, small firms with reliable products and loyal local customers have proved difficult for the big companies to dislodge. Yet those companies which have ambitions to compete in the world league may have to consider partnerships with other European or American companies if they are to achieve the necessary economies of scale and an international sales network.

The outstanding example is Fiat-Allis, the construction equipment group which Fiat formed with Allis-Chalmers of the U.S. in 1974. The logic of this deal was that it extended Fiat's range into the heavier end of the earth-moving equipment business and that it provided access to a dealer network in the U.S. In the last five years there has been considerable rationalisation of its products and distribution channels, and Fiat-Allis can now reasonably claim to be one of the most credible international challengers to the leader in the industry, Caterpillar.

Geoffrey Owen

The SAME Taurus 60 four-wheel-drive tractor: the manufacturer produces around 21,000 tractors a year and is Fiat's main Italian rival in the tractor business



The Fiat plant at Bari on Italy's Adriatic coast

Vehicles very much a home preserve

THERE ARE a number of factors which clearly illustrate that Italy is very different from other European car markets.

For a start, Italy's market is dominated by one company, Fiat, which last year accounted for 55 per cent of total car sales. This is far ahead of the performance of any of the other European major car producers in their "domestic" markets.

For example, even when Chrysler's 10.5 per cent share of the French market is added to the 34 per ceot of Peugeot-Citroen, Europe's major manufacturer does not match Fiat's performance on its home ground.

Then there is the complete ahsence of foreign manufacturers on Italian soil since BL (formerly British Leyland) pulled out some years ago. Italy's other car companies, Alfa Romeo, Nuova Innocenti and the specialists, De Tomaso, Lamborghini and Maserati, are all Italian-owned.

Above: Alfa Romeo's Giulietta 1.6; below, Fiat's Mirafiori 1300L

Significant

Add to this the factor which will become increasingly significant in coming years — that Japanese penetration of the Italian market is minimal—and you understand just how unusual is the country's car business. By agreement, Japanese car sales are kept to around 2,000 a year in Italy, representing a mere 0.1 per cent of the total.

Fiat makes no secret that its objective is to push its share of the home market to 60 per cent and keep it there. About 50 per cent of sales would be of the Fiat marque while the rest would be sold under other names within the Fiat fold.

These are Autohianchi, which produces small cars, and Lancia, a company now almost fully integrated with Fiat—but whose marque is preserved for the up-market cars that the group offers. Fiat also has a stake in Ferrari, another of the world-renowned Italian specialists.

The group is investing heavily in its automotive business, ploughing in L2,000bn ($2.4bn) by the early 1980s. In this context, it must be remembered that Fiat is a major group by world standards. Besides cars and trucks, it has construction equipment, civil engineering, engineering and many other interests. Altogether these produced a combined 1978 turnover of L12,920hn ($15.5bn) of which cars accounted for L4,809bn ($5.75bn) and commercial vehicles L3,200bn ($3.8bn).

According to Fiat, Italian car sales in 1978 totalled 1.38m, slightly higher than the earlier expectations of around 1.3m. This was a 13 per cent advance on 1977's total of 1.22m which, in turn, reflected a modest 2.8 per cent increase on the previous year.

Estimates

Of the 1978 total, Fiat acconnted for 742,000 or, as previously mentioned, 55 per cent. This was a slight drop on the 57 per cent market share it had in 1977. Cars bearing the Fiat badge had a 47.5 per cent share (649,000 vehicles) against 50.8 per cent (620,000).

No one was chasing Fiat very closely for the rest of the market is spread reasonably equally between Alfa Romeo and several imported makes. Based on estimates from other European manufacturers—who make the point that the official Italian statistics are not as reliahle as they might be—in 1978 Renault of France prohahly captured 8.5 per cent of Italian car sales; Peugeot-Citroen, 7.3 per cent; Ford, 5.8 per cent; Chrysler and General Motors (Opel, Vauxhall), 4 per cent each and Volkswagen-Audi 3.7 per cent.

On the production front, Fiat'a performance is really Italy's performance. For example, in 1977 Italian passenger car output fell 2.1 per cent to 1.44m units. Fiat's output was down 4.5 per cent to 1.2m.

However, in 1978, Fiat's car production was pushed up hy 3.8 per cent to 1.325m in Italy. (This ignores its manufactnring operations outside Italy in countries such as Spain, Brazil, Argentina and so on, which took the 1978 total to 2.2m cars, up 2.9 per cent.)

The signs were also encouraging for Italy's other main car producer, Alfa Romeo. Its share of the home market improved last year, according to European industry estimates, to 7.4 per cent because unit sales increased by 10,000 to 89,000.

Outpot from the Alfa plants was estimated to bave risen from 201,000, where it has languished for a couple of years, to top 225,000.

Warfare

Alfa Romeo is State-owned and part of Italy's giant holding company, IRI. For many years it has provided one of the major battlegrounds in the continuous warfare hetween the state-owned corporations and militant labour in Italy. Plagued by strikes, low productivity and high wage demands its losses accumulated to L559hn ($670m), in the five years to the eod of 1977, even though sales revenue mounted steadily and the reputation of the cars it builds is relatively good.

In February, last year, a significant agreement was reached with the unions which set the basis for an improvement io labour relations and, therefore, productivity. New capital was injected towards the end of 1978 and Alfa Romeo started the new year in optimistic mood.

Giving a view on 1979 prospects for the Italian car market as a whole, Fiat says it should be "slightly better," but this depends to some extent on whether the cost of fuel goes up again and by bow much. In turn, that could depend on political and economic events in the months to come in a country wbere the situation on hoth tbese fronts can be volatile.

The general slowdown of Italy's economic momentum hit commercial vehicle sales badly in 1978. Fiat is not giving any estimates for the moment (it is a well-known fact that had results always take longer to add up than the good ones). hut independent observers reckon than the market was down by 20 per cent from the 111,192 commercials registered in 1977.

The extremely low level of activity in building and civil engineering was reflected particularly at the too end of the vehicle market and heavy truck sales probably fell by 40 per cent.

Fiat's own production — [illegible] out of Italy's total 143,000 in 1977 — might well have continued at the 1977 level last year. However, the heavy truck plants were closed for two weeks in the autumn because stocks bad reached dangerously high peaks.

Fiat's chairman, Mr. Giovanni Agnelli, is the foremost proponent of the concept that the European automotive groups need to move closer together if they are to survive the Japanese and U.S. onslaught which he feels is bound to come. His ideas on pan-European link-ups must be seen in the context of Fiat's own position—it has no other group it can do a deal with in Italy apart from Alfa Romeo.

But Fiat has been taking its own advice, with notable success, on the commercial vehicle front. In 1975 it merged its commercial vehicle activities with those of Klockner-Humboldt-Deutz of West Germany into a new group called Iveco. It brought together the Fiat interests, which already included OM in Italy and Unic in France, and Magirus Deutz, the KHD offshoot.

Allocated

Fiat has an 80 per cent shareholding and effectively manages Iveco which now accounts for around 25 per cent of EEC sales of commercial vehicles over 3.5 tonnes. It employs around 50,000 at 16 different plants but prodnction has been quickly sorted out and allocated so that light vehicles are made at Brescia in Italy, medium duty trucks at Trappes in France. heavy-duty road vehicles at Turin, construction equipment at Ulm and huses and coaches at Cameri, in Italy, and Mainz, in Germany.

In 1977, Iveco's sales reached L2,495hn ($2.99hn)—as against L2,252hn ($2.7bn) in 1976—while profits after tax were L68.7hn ($80m), compared with L31.7bn ($38m). But there has been a warning that the group would do well to hreak even in 1978 because of the depressed state of the European commercial vehicle markets.

In 1977, Iveco produced 108,600 vehicles (against 103,000 the previous year) and the estimate for 1978 was 108,000.

For the future, a great deal will depend on the progress Iveco can make in America. It had hoped to link with Mack Trucks there, so as to use its dealer network, hnt the negotiations broke down. Instead, Iveco has organised 100 dealers to take its medium-weight vehicles (in the 11 to 13 tonne range) where local manufacturers are not so strong and the Japanese offer no real competition, either. The investment so far is "modest," hut Iveco exported 1,000 trucks to the States last year and bopes the total will reach 2,000 to 3,500 in 1978.

This would certainly help to offset the downturn in the Italian market where prospects for commercials remain very uncertain.

Kenneth Gooding

Busy construction industry

ITALY'S thriving construction and civil engineering industry offers a microcosm of the strengths and weaknesses of the national economy.

At home, this sector is bogged down amid the failings of the country's enormous bureaucratic superstructure and the sluggish state of the economy.

Abroad, it has made its name as arguably the world's leader in the field, and provides priceless support for the balance of payments and a rich source of employment for workers from a country where unemployment is officially put at 1.6m but in practice may be somewhat higher.

The reasons for this concentration on the overseas sector are manifold: a mixture of history, tradition and necessity. In Italy itself, the engineering and construction companies come up year after year against the same difficulties.

The housing sector, which ought to provide the bread and butter of their orders has been in the doldrums for some while. The State, moreover, has acquired the reputation of being a very late payer, although some senior executives in the industry have detected signs of improvement on this front.

On the other hand, heavy engineering, it might be said, is in the Italian blood. Evidence of the skill of the ancient Romans at building acqueducts, roads and entire cities is littered all over the Mediterranean basin and even beyond. The largest surviving Roman monument in the world, Hadrian's wall, used to divide England from Scotland.

Orders

Today, the industry in cold commercial terms is worth perhaps $4bn in new orders per year, and by one estimate, keeps 500,000 people in work, many of whom *might otherwise* have been threatened with unemployment in Italy itself.

Forced therefore to look abroad for its survival, the industry has found that it possesses a number of very strong cards. The very fact that Italy itself is part-developed as well as a part-developing country means that its companies often have a far clearer idea of the difficulties that await them overseas than their foreign competitors.

Italian workers, long accustomed to the need to emigrate, can adjust relatively easily to a substantial period away from home. Steeled to the intricacies and intrigues of bureaucracy at home, the companies are less surprised by what they find abroad.

The companies themselves, quite apart from the expertise they possess, have won a valuable reputation for their skill and willingness to train local staff. Sig. Ricardo Becchis, managing director of Fiat's Engineering Division, is typical in drawing a sharp distinction between the design and engineering package, the province of the contracting company, and construction work itself, which can most often be carried out by local workers.

Moreover, the unweildy conglomerate structure of the groups involved, so frequently criticised at home for inefficiency, can prove a blessing for such plant orders abroad.

Fiat Engineering, Italimpianti (part of the IRI Group), Technimont (part of Montedison), and Snamprogetti of the ENI energy concern, are only some of the companies which, in their tenders and handling of orders, can call upon specialist technical skills to be found elsewhere in their groups.

Connections

Political ambiguities also play their part. Sometimes a company can lean on capitalist, traditionalist connections (Iran and Nigeria are markets where this technique has been employed).

On other occasions, Italy's left-wing imprint has been decisive — most vividly, of course, in the huge car plant installed at Togliattigrad, named after the former Italian Communist leader, in the USSR by the eminently capitalist Fiat group. So successful was the venture that another East Block country, Poland, followed suit.

Equally important today are the Communist-controlled co-operatives, of which CMC is the largest, who often smooth the way for deals involving smaller companies, such as Salini, Recchi, or Torno, as well as the larger ones, in Third-World countries with fiercely left-wing regimes.

Little tainted by a colonialist past, Italy has prospered in countries such as Algeria, so often at odds with France, the former ruling power, and Angola.

It was however the oil crisis, and the sudden enrichment of developing countries virtually at Italy's backdoor, that transformed the picture.

Of the $3.7bn of new engineering and construction orders won in 1977, almost 70 per cent were in OPEC markets. Contracts trebled between 1973 and 1975, and doubled again between 1975 and 1977.

The signs are that inevitably the oil producers' appetite is beginning to wane. Last year, for example, it is estimated that total Third World and East Bloc orders dropped 30 per cent in real terms to around L4,500bn ($5.4bn) — even though a drop in OPEC deals was partially compensated by successes elsewhere: for example, IRI's capture of a L450bn ($540m) slice of the contracts for the Tubarao Steel Works in Brazil.

Let it never be forgotten, however, just how risky a business Third World contracting on this scale can be: the recent events in Iran have cast a black cloud over the brightest jewel in the export industry's crown, the $3bn steelwork and deep water port being built by Italimpianti at Bandar Abbas.

As the Iranian crisis has unfolded, so have a series of doubts about other Italian operations in Iran, worth an additional $2bn.

Perhaps a little belatedly, the Italian authorities are now arranging official support for the country's exporters of the kind that is normal in other industrialised countries.

Sig. Rinaldo Ossola, the Foreign Trade Minister, is scurrying around the world promoting Italian initiatives. The Government has established the equivalent of an Export Credit Guarantees Department (ECGD) and raised the annual ceiling for medium term credits to L3,500bn ($4.2bn). The system of export credit subsidies has been reinforced, and a serious scheme of risk evaluation for various export markets introduced.

No-one will predict the future development of civil engineering exports. While OPEC outlets are contracting, the open-door policies newly introduced by China promise rich new fields of activity. But other difficulties are looming as traditional client nations develop an engineering capacity of their own.

Examples

Latin America, and, in particular, Argentina and Brazil, are cases in point. While in the Far East, South Korea is rapidly assuming the proportions of "a new Japan," as one industry executive described it.

Some apprehension is also discernible following the relative strength of the lira, since the currency is poised to make its full entry into the new European Monetary System. This, in turn, might dent the traditional price attractiveness of tenders by Italian concerns.

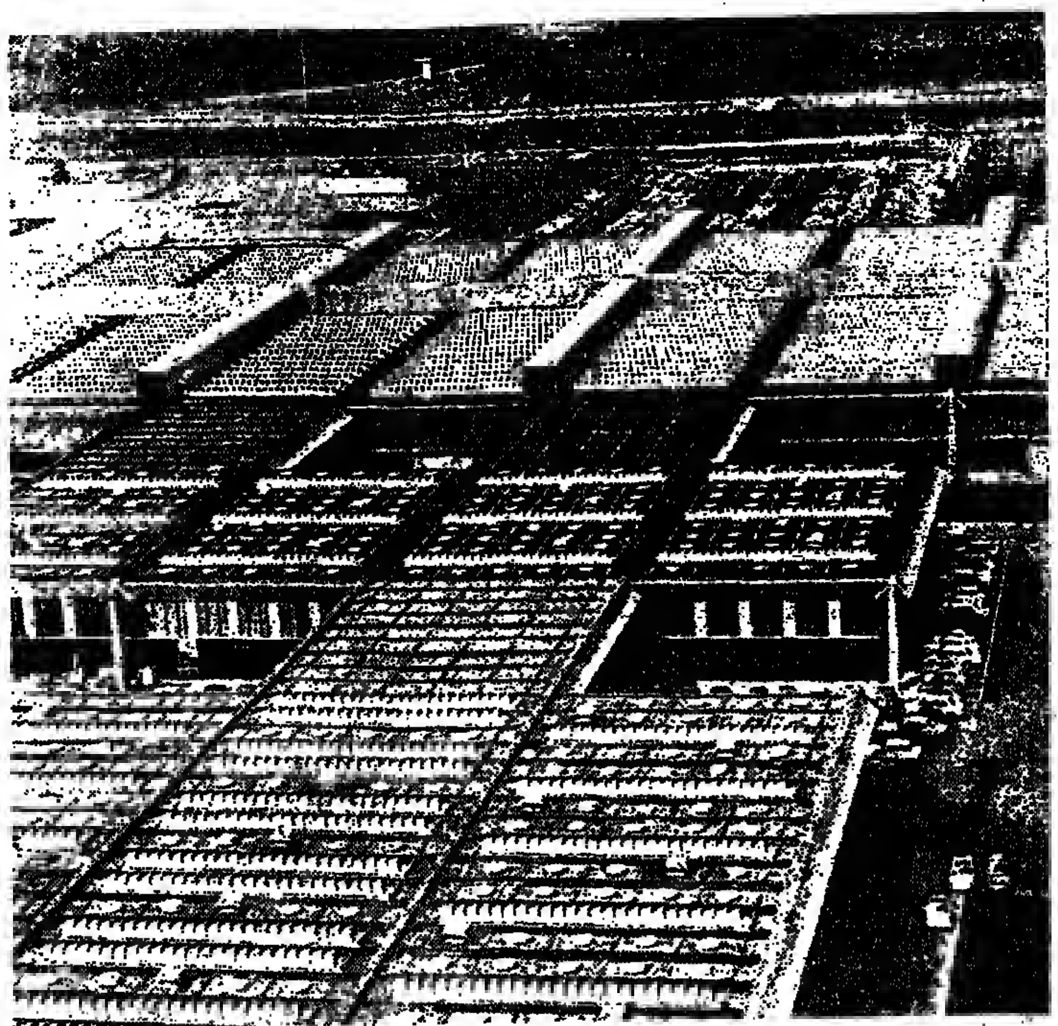
The risk exists therefore that Italy might find itself uncomfortably caught between the advanced Third World and technologically powerful western rivals.

In the meantime, although the companies themselves are busy prospecting new markets, such as Australia and Indonesia, while it is estimated that existing orders in hand ensure two years' work at least.

Italy's solid external finances provide a valuable cushion if greater risks have to be taken, and the first signs of increasing output and investment offer the hope that business will improve at home and thus take up some of any slack that might appear abroad.

In any case, if Italian industry is capable of feats similar to that of Fiat Engineering/Impresit in Belo Horizonte Brazil, where just 30 months were required to transform virgin soil into a fully operational car plant for Automovels SA, then the future cannot be so bleak.

Rupert Cornwell



An example of modern Italian factories at Scarmagno, showing part of the Olivetti complex. Italy's thriving $4bn civil engineering and construction industry is hoping that business will further improve at home and thus take up any slack that could appear in demand for new projects overseas, particularly in the OPEC markets

More optimism in machine tools sector

THE TRADITIONAL Italian diffidence towards the Government does not exclude industries. In recent months, as implementation of the law to help ailing industries has flagged, the special plans for development of each sector of industry (Piani di Settore) have had trouble getting off the ground. And as general scepticism over the Government's three-year Economic Recovery Programme has increased, industries are working out self-help projects of their own.

The latest of these plans to come off the drawing board is the result of 15 months of study by the machine tool industry.

Presented late last month by the Italian Machine Tool Manufacturers' Association of Milan, the project is designed to give the Italian industry a realistic analysis of the sector and indications for its future developments.

Mr. Bruno Ghebbano, vice-president of the association and president of the committee that studied the project, compares it to "a compass that machine tool companies can use to find the best route."

In general, the study concludes, the best route is export.

The conclusion is not surprising, considering the results in the machine tool industry last year. The association's unofficial calculations for 1978 show that exports absorbed an all-time high of 55 per cent of total production. Sales abroad were up 21 per cent by the end of the third quarter, and are likely to reach 27 per cent when year-end results are confirmed.

The trade surplus in the sector, which by last October had exceeded that of all of 1977, is expected to reach L300bn on exports valued at a total of L490bn.

Fourth quarter results in 1978 also showed improvements with respect to the same period of the year before. Foreign orders were up 34 per cent—the highest percentage hike in six years—and domestic orders increased 24 per cent.

Success

On the domestic market, the fourth quarter also represented an increase of 50 per cent over the previous quarter.

Association officials attribute such success to several factors. On the export market, the decline in value of the lira had the effect of increasing competitivity of Italian machine tools abroad. Furthermore, the Machine Tools Exhibition in Milan last October saw some 60 per cent more foreigners than the previous fair held two years earlier, which probably contributed to the substantial increase in foreign orders.

CONTINUED ON NEXT PAGE

Heated debate on nuclear power

SIG. FRANCESCO Corbellini is hardly a man to be envied. The vagaries of Italian politics permitting, he shortly will be confirmed as president of ENEL, the state agency in charge of the supply and production of electricity—one piece in the elaborate mosaic of public sector appointments designed to keep happy as many of the political parties as possible.

But at the same time he will be stepping into one of the most awkward jobs in Italian industry, and certainly one of the most important. For ENEL is both a vital factor in the future of the economy (as almost the only supplier of power on which it depends) and for the wellbeing of large areas of the heavy electrical industry, for which it inevitably is the prime source of new orders. Sig. Corbellini, therefore, has become wittingly or unwittingly a central actor in the drama being played out over Italy's energy. This winter learned arguments over how the country should safeguard its future power requirements have given way to the unseemly reality of the blackout.

Importer

Fate and history have decreed that Italy—the world's seventh largest industrial power—should be a major importer of primary energy. Blessed with little coal and less oil, the country has been forced to look abroad. Purchases of oil, providing over 70 per cent of domestic energy, cost L7,400bn ($8.8bn) in 1977. And if the bill showed little increase last year, the feat was thanks less to any national success at economising as to the lire's favourable exchange rate against the dollar, the yardstick currency for oil prices.

This state of affairs is unlikely to continue now that the OPEC countries have settled on a phased 15 per cent price rise by the end of this year. The indications are that Italy could be faced again shortly by the same problem that has bedevilled its economy for years: when a higher level of internal economic activity rapidly sucks in greater quantities of imported energy with grave consequences for inflation and the balance of payments, and so for the level at which the economy itself is run.

At the heart of this dilemma is the argument of to what extent the country should go nuclear. The blackouts in a number of cities this winter, including Rome, and reports of ENEL rationing supplies of power to a number of manufacturing industries in the north, have shown just how precarious is Italy's energy situation. ENEL now operates on a knife-edge where, as recent events have shown, an excessively cold snap coupled with the failure of one or two key power stations in the national grid, can lead to wholesale supply cuts.

Politicians and spokesman for the industry have argued that should the government fail to press ahead with even the trimmed energy programme which has been approved, the risk of blackouts, and the country's vulnerability to upheavals in the oil-producing countries, can only worsen.

It is envisaged that the Molise plants, and almost certainly the Lombardy and Piedmont ones, will be built under Westinghouse's PWR licence by a consortium linking another IRI group member, Breda Termomeccanica, with Fiat from the private sector. These plans have been underpinned by ratification of an agreement between IRI and the other state-controlled energy group ENI (Ente Nazionale Idrocarburi), whereby the latter's subsidiary, AGIP Nucleare Spa, would have overall responsibility for nuclear fuel supplies. AGIP Nucleare will have a 71 per cent stake in Coren, the company processing nuclear fuel for PWR reactors, in which Fiat's and Breda's shares will be 24.5 per cent and 4 per cent respectively.

Beyond this, however, the Government's programme is little more than a catalogue of good intentions. Twin stations are planned at Montalto di Castro near Viterbo in Central Italy, but site work is at an early stage. A similar project, Molise I and II, near Campobasso in the south has slipped behind schedule owing to a protracted political wrangle over its precise location.

Saving

Further in the future lie two more twin projects, one in Lombardy and another in Piedmont, but again, where no sites have been agreed yet. In the unlikely event that all these stations are operating by 1985, the Government will have realised its current scaled-down aim of 8,000 MW of extra nuclear power in service by that year with an estimated foreign exchange saving, in terms of oil that otherwise would be purchased, of about $1bn.

Perhaps the most encouraging element for the authorities in what is otherwise a pretty cheerless picture is the knowledge that when they finally overcome the political and environmental hurdles, there is waiting an industry well equipped to handle a substantial programme. Caorso was constructed by AMN, a subsidiary of the Finmeccanica (part of the state-owned conglomerate IRI) under the U.S. company's BWR technique, and the same combination will carry out the Montalto di Castro work.

Alas for the planners, however, the intense European debate on the wisdom of nuclear energy as a long-term choice has arrived belatedly but no less vehemently in Italy. Spurred on by the gains of environmentalist parties in recent regional elections, the Socialists for one have started to question the Government's energy strategy, while the tiny but disruptive Radical Party aims to force a referendum on the issue later this year.

Despite the fact that the longer-term alternatives—solar energy, wind power, even geothermal energy (in which Italy is comparatively rich)—are anything but cast iron bets, the anti-nuclear lobby is pressing its case vigorously.

At present only three small demonstration nuclear power stations are operating, offering just 650 MW of power out of the country's total installed capacity of well over 30,000 MW. Another and larger station at Caorso, near Piacenza, employing General Electric's boiling water technology to generate 850 MW, is still at the testing stage, although it is claimed that its temporary connection to the national grid when the blackout struck at the end of November averted even more widespread power shortages.

In the meantime, the signs are that King Coal will be making up the gaps between supply and projected peak winter demand until the mid-1980s. Five oil-burning stations are to be switched to coal, while a new 600MW coal unit is to be installed at ill-fated Giola Tauro, the Calabrian coastal site once chosen for Italy's fifth integrated steel plant. Since the country is notably short of coal also, Poland looks the most likely source of future imports, and a slurry pipeline is planned between Trieste and Katowice.

In the long run, however, environmentalists notwithstanding, there appears to be little realistic choice for the country but to go nuclear—and this is explicitly recognised in the economic plan just released by the Government for 1979-81. In words uncommonly blunt for a programme designed to mend divisions, it speaks in one part of "propaganda campaigns against nuclear power, organised for ends which have nothing to do with preventing the possibly dangerous effects of the stations."

Every extra delay in this programme was unacceptable, the document warns. So, probably, it is, but the fate of the nuclear programme, and of the plan in general, remains to be seen.

Rupert Cornwell

Machine tools

CONTINUED FROM PREVIOUS PAGE

Domestic orders are also presumed to have increased as a result of the fair, since traditionally such events cause orders to be delayed by a few months. This would help explain the considerable boost in orders in the last quarter of 1978 with respect to the third. Furthermore, the general improvement of the economic situation worldwide has given Italian operators reason to believe that capital investments may indeed be on the rise after a flat period.

Trends

The general trends that became evident during 1978, and on which year-end estimates are based, have given Italian manufacturers grounds for a certain optimism for 1979. Total production last year, valued at L900bn, was up 16 per cent over 1977.

The fact that total production by weight—150,000 tons—represented an increase of only 2 per cent helps show the increase in value per kilogram in the sector. Such a ratio is considered one of the most important indicators in the machine tools sector, since it reflects the technological qualifications of the product.

Complete data on last year's performance will not be available for several months, but the trend in Italy shows that the value/kilogram ratio is on the rise.

Italian exports last year were 78,000 tons (4 per cent higher than the previous year). Imports, on the contrary, were down by 9 per cent in value, to L150bn and by 12 per cent in weight, to 34,000 tons. The net consumption for the year, down 4 per cent on 1977, was 106,000 tons, for a total value of L560bn, or a 1 per cent increase over the previous year.

The outlook for Italian manufacturers is better than it has been for some time. But the problems that remain in the industry are the kind that are either inherent in the Italian economy or, in any case ,are not likely to disappear over the short-term.

The machine tools industry, like almost all industry in Italy, is essentially one of transformation. With the cost of raw materials constantly on the rise, it is imperative for the Italian industry to emphasise a high level of technology as well as a high proportion of exports to total production.

Investment

The continuing high cost of money is another obstacle that is difficult to overcome in the present circumstances. Although the Government's three-year Economic Recovery Plan has forecast an increase in investments of six or seven per cent it remains tob e sean whether such increases will actually take place. The machine tools industry is not the only sector to be sceptical of some aspects of the plan.

It was partly this caution which stimulated the study of the sector by the Machine Tools Manufacturers' Association. The association, which groups 160 manufacturers with a total turnover of some L690bn, hopes in this way to provide guidelines to the industry that can complement — and if necessary replace—the bigger, but vaguer, Government plans for industry.

In addition to providing consultative and research services to the industry, the project drawn up by the study group encourages small and medinm companies—which form the bulk of the machine tool industry—to co-operate in certain aspects of trade to minimise production costs.

Such consolidstion of resources (e.g. buying raw materials as a consortium instead of individually) would allow economies of scale without sacrificing the natural advantages of a middle sized enterprise. The project also urges more research, more highly developed marketing techniques, more client assistance, and clear accounting practices that would f avour access to credit.

Paul Betts

Home appliances market improves

THE ITALIAN domestic appliences industry, which was one of the spectacular successes of the 1960s, suffered a severe battering in the recession which followed the 1974 oil crisis, during which some of the weaker companies went under or were rescued only by absorption into their larger competitors.

The problems which suddenly faced the industry during the down-turn of consumer demand came as a shock to many observers, who bed come to believe the Italian combination of sound engineering, high volume and aggressive cost-cutting was unbeatable—at least, in the lower end middle ranges of the market.

But the edvantages of high volume production clearly become penalties if the market cannot sustain production at an economic level to justify the high overheads. The slackening of consumer demand througbout Europa also sharpened the marketing edge of domestic appliance manufacturers in many countries where the Italians were eccustomed to export. Since exports accounted for 65 per cent of the industry's production in 1974, the fierce bettle for market abares was bound to beve an edverse effect on many Italien companies.

Upheaval

For the largest companies, Zanussi, Ignis (now IRE), Merloni, Indesit and Candy, the period brought severe retrencbments, re-organisation, and in some cases, substantial losses.

In 1975, for example, Zanussi —the largest domestic appliance manufacturer in Italy and in Europe — recorded a loss of L1.6bn ($1.9m). However, in the last two years, demand has gradually started to increase, and although there is still a considerable over-capacity throughout Europe, a shake-out among some of the smaller and weaker firms has allowed the larger groups to move back into profit.

Zanussi turned the corner in 1976 (calendar year) with a modest profit of L19.5bn ($23.2m), and it managed to sustain the same level the following year with L20.9bn profit, ($24.9m) on e turnover of L725bn ($862m). That means a net margin of less than 3 per cent on sales, although turnover increased 22 per cent on the previous year's total. The company's performence in 1978 is expected to sbow e definite but not a spectacular improvement, partly because of its policy of diversifying out of the domestic appliances field into consumer electronics, catering equipment and bousebold fitments.

The Italian domestic eppliance industry's beavy dependence on exports seems likely to condemn it to live with low margins, at least for the foreseeable future, as it meets increasing opposition from manufacturers and government strategies in its main markets.

Manufacturers also bave to reckon with the fect that markets for refrigerators and washing machines are nearing saturation, although disbwashing machines could still provide growth opportunities.

In the UK, one of the main, explicit objectives of the National Development Organisation sector working party in the last two years has been to beat back Italian competition, particularly in the markets for refrigerators end automatic washing machines.

This policy bas aimed not merely to increase the efficiency of the British manufacturers, but to discourage the practice of "vendor branding." This practice had for many years provided an easy entré for the Italian manufacturers, particularly Zanussi, wbich were able to make bulk sales to retail chains or to UK rivals who would put their own brand name on an Italian-made product and still make an adequate margin on resale. Strong pressure has been put on electricity boards to buy from UK-based manufacturers, while Hotpoint, the General Electric Company (GEC) subsidiary, has discontinued its purchase from Zanussi of refrigerators and washing machines for resale under the Hotpoint brand name.

In Germany, a similar trend mey be beginning, although German manufacturers bave been much more successful than the British in defending their corners of the market, by concentrating on very solid, high value machines.

The decision by AEG (Allgemeine Elektricitäts Gesellshaft) to sell its 20 per cent share in Zanussi, may prove to be a long term sign of a more nationalist, protectionist approach. But the change of sbareholding does not appear to bave bad any immediate adverse effect on Zanussi. Its agreements to supply washing machines to AEG still continues.

Strategy

Indeed, the highly international character of the market and the complications of vendor branding are illustrated by the fact that one of AEG's washing machines which sells in Britain mainly on the reputation for solid German workmanship, is, in fact, made in Italy.

Faced with the general tightening of overseas markets and the political uncertainties at home, the leading Italian domestic appliance companies beve generally adopted the strategy of stepping-up marketing pressure to emphasise corporate identities and the reliability of their products.

One of the most conspicuous changes has been on the part of Zanussi in Britain. Faced with the ending of its agreement with Hotpoint, the company bas launched a £900,000 advertising campaign to give the Zanussi name credibility with UK consumers. This was necessary because most consumers do not know about Zanussi, even if they use one of its machines. Zanussi has been trying to combat the idea that the cheapness of Italian machines is related to inferior quality with, for example, explicit comparisons between its dishwasher and a rival German-made machine.

For the other major Italian domestic appliance manufacturers, the maintenance of a brand image has been less of an immediate problem. IRE, the Philips subsidiary benefits from the presence which Philips has carefully cultivated throughout Europe. Indesit, the fourth largest manufacturer, has for many years had a policy of selling under its own name, to such en extent indeed, that its name was largely synonymous with Italian white goods in the minds of U.K. consumers for several years.

Candy, similarly empbasises its own name, and has been conducting an aggressive policy of low price selling, but will probably attempt to move up market and aim for higher margins in the next year or two.

In 1977, total Italian exports of white goods were estimated at L1,300bn ($1.6bn), whicb represented about 63 per cent of national production. In the same year, total Italian production of refrigerators showed a 6 per cent increase by value, compared with the previous year. Allowing for inflation this was e slight decline in volume terms.

Increase

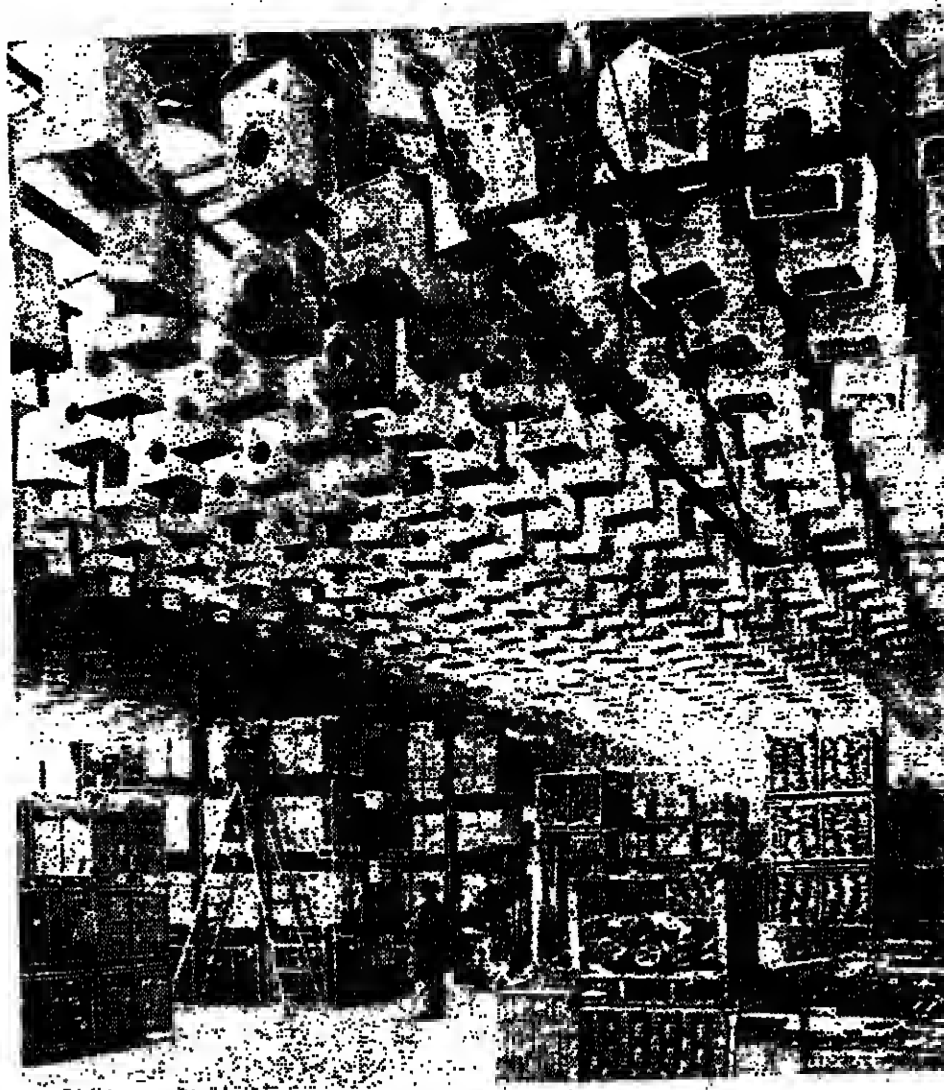
The value of freezer production was up by 11 per cent; of washing machines by 4.6 per cent; and for dishwashers (the only prodnct showing real growth), the increase was 26.5 per cent.

For hoth refrigerators and washing machines, the Italian companies can claim about half of the European Economic Community market. This market is running at about 7.5m units for refrigerators and about 8m washing machines.

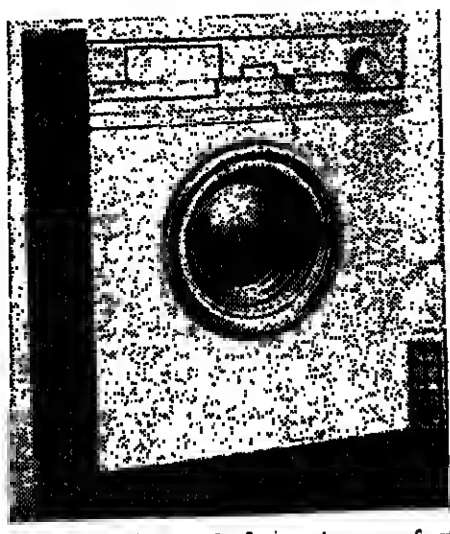
By 1980, the total European market for appliances is expected to reach the following levels: for refrigerators, 8.5m units; for deep freezers, 4.8m units; and for washing machines 7.05m units. Sales of dishwashers are expected to climb to 1.85m units by then.

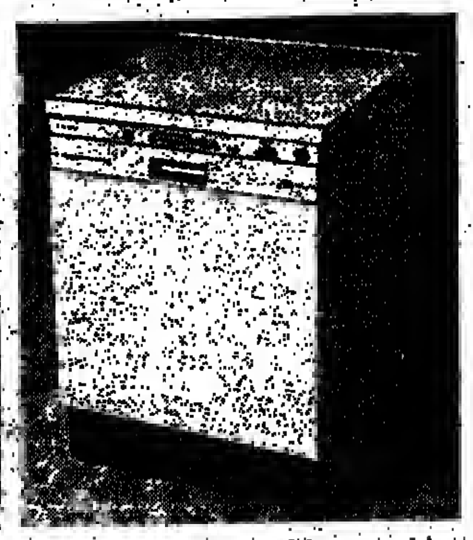
The general ontlook for the major Italian manufacturers is consequently rather mixed. On the one hand, saturation of the markats and increasing netional pressures to preserve jobs will work against them, margins are likely to remain low and competition intense. On the other hand, continued progress in technology has enabled the Itelians to improve quality while maintaining competitive prices. Their high volumes of production will also give them an advantage in innoveting designs. Thns, altbough most observers feel that a further shake-ont in Europe will be necessary, the larger Italian firms are now in e relatively good position to survive it.

Max Wilkinson



Part of the production stock suspended in 24 miles of overhead "tramways" in the roof of the plant which produces cabinets, tubs, drum assemblies and electrical equipment for Candy washing machines in Italy





Zanussi, Europe's largest manufacturer of domestic appliances includes the Superluxe washing machine (left) in its wide range of products; centre, the Indesit L6 washing machine, the manufacturer's biggest seller; and, right, Candy's large capacity automatic dishwashing machine

Stewart Fleming on the imbroglio of American Express's possibly doomed bid for McGraw-Hill

A hard road towards diversification

TOP EXECUTIVES of American Express, the financial conglomerate, must be asking themselves how they could have made so many mistakes in so short a time as they survey the wreckage of their $1bn takeover bid for McGraw-Hill, the publishers.

They must also be wondering about the implications for the company's vital diversification programme of the failure to land so attractive a catch. Their chances of success of pulling off at least a merger look slim indeed.

When the initial bid was launched on January 9 few on Wall Street gave McGraw-Hill much of a chance of surviving as an independent company.

The rule-of-thumb in such situations—provided the aggressor is persistent enough—is that he will generally succeed in wearing down the most reluctant takeover victim or at least will force it to seek a more palatable partner—a "white knight." It is a process that can take months.

There are a few effective defences—a cast-iron anti-trust case, for example—but only a few. Thus when American Express announced its initial $34 a share cash bid, Wall Street speculators—the arbitrageurs as they are known—took the view that eight out of ten such offers go through in some form and began buying McGraw-Hill shares. Unofficial estimates suggest that they bought some 15 per cent of McGraw-Hill's equity, for over $100m.

By the end of last week some had begun to unravel their positions as they decided that American Express's chances of acquiring McGraw-Hill had sunk close to zero. The bidder has left a $40 a share "friendly" offer on the table until perhaps March 1. In part this provides American Express with something to cover its retreat. It does, however, leave the financial conglomerate a glimmer of hope.

Some McGraw-Hill shareholders, outraged by being denied $40 a share in cash by their directors and finding instead that their stock is worth $28 in the market, have filed lawsuits against the Board. If they can force the Board to drop its opposition to the deal, then the American Express bid could be revived. Barring so dramatic a turn of events, however, or the appearance of a rival predator, McGraw-Hill seems to have survived American Express's "bear hug"—the colourful phrase used to describe a deceptively friendly takeover bid.

But if the crisis for McGraw-Hill seems to be passing, the repercussions for the companies and for Wall Street of perhaps the most intriguing, and certainly the most closely followed, takeover bid of the past three years, promises to rumble on.

Before the deal was announced few in the takeover game had given much thought to moves in Washington by the Justice Department and by Senator Edward Kennedy to tighten up anti-trust laws in order to block such giant conglomerate bids. Many on Wall Street now fear that in the next two years stricter anti-trust laws will emerge.

There are predictions that large companies planning such bids will accelerate their plans before the political climate turns against them.

The American Express-McGraw-Hill imbroglio has heightened the debate about conglomerate bids, their impact on the economy and society and the role of directors in such situations.

Hitherto few of the issues that such transactions raise have been seriously debated. There has been growing concern about the fact that cash takeovers represented an alternative to cash investment in productive assets and criticism of bankers for so willingly financing the deals.

But perhaps because so many of the big deals have been largely in cash, shareholders have not worried about the quality of the management taking over their companies or its ability to operate an unrelated business. There has been a ready acceptance of the assumption (rightly or wrongly) that large blue chip aggressive corporations are now competent to diversify successfully into virtually any field.

Thus whether or not Kennecott Copper's less than sparkling management should take over Carborundum (a company with a solid growth record) ultimately proved to be of more concern to Kennecott's shareholders than it did to Carborundum's. There is also a growing debate, which has prompted possible moves in Washington, about the impact of giant conglomerates on society irrespective of their commercial ability to manage diverse businesses.

Because McGraw-Hill is seen to occupy a position of public trust as the publisher of a leading business magazine, Business Week, as well as the owner of four television stations and the Standard and Poors credit rating agency, some of these issues have been raised most visibly by the American Express bid. It has to be said however that the debate about the propriety of American Express acquiring McGraw-Hill and the potential conflicts of interest in the deal owes more perhaps to the tactics which McGraw-Hill adopted to defend itself than to the sensibilities of the business community to the issues.

The tactics which McGraw Hill and its bank advisers, Morgan Stanley, devised provide an intriguing insight into the takeover game in the U.S. The approach was simple. McGraw-Hill set out to threaten the public image of American Express and to give this tactic time to work to tie up American Express in protracted lawsuits in the hope of ultimately forcing it to retire from the field.

Because of McGraw-Hill's businesses involving the public interest it was clearly in the company's interests to suggest that American Express lacked the "integrity" to run them.

Glyn Genin

James D. Robinson, chairman and chief executive officer of American Express: his company's bid for McGraw-Hill has heightened the debate about conglomerate bids, their impact on the economy and society and the role of directors in such situations.

American Express, as a corporation with major financial businesses providing most of its profits, was particularly vulnerable to this sort of attack. Its public image as a company of high corporate morality is vital to its profitability and growth.

In practice as well as propaganda the McGraw-Hill defence seemed shrewdly designed. Its ownership of four television stations provided it with a potential roadblock in the shape of the Federal Communications Commission which has to approve the transfer of broadcasting licences, taking into account the public interest.

In addition American Express provided McGraw-Hill with a potentially vital issue—which it could take to court. Mr. Roger Morley, president of American Express and a man intimately involved in its acquisitions programme had been a member of the McGraw-Hill board some time before American Express first tentatively broached the possibility of a merger in the spring of last year.

He did not resign until the bid had been launched on January 9 when he handed Mr. Harold McGraw Junior, the McGraw-Hill chairman, an undated letter of resignation.

McGraw-Hill filed a suit against Mr. Morley and American Express charging that he had improperly used confidential information given him as a director of McGraw-Hill in launching the bid. American Express has denied the charge, saying that the information had not been used—not that it had not been received. It is already being suggested that the issues raised by Mr. Morley's dual role will prompt other corporations considering takeover bids to scurry round to check whether there are possible overlapping directorates with target companies, and wondering if and when resignations have to be considered to avoid charges of conflict of interest.

Once McGraw-Hill was able to get Mr. Morley's role and other issues to litigation it was also able to embark on the discovery process provided for by U.S. law. This allows litigants, before the conclusion of the case, to demand and eventually place on the public file confidential information from each other.

McGraw-Hill began to try and mine this source of information. But according to a letter the McGraw Hill Board received from its lawyers, Wachtell Lipton Rosen and Katz (interestingly later released to the Press) before it got very far, on Monday, January 29, American Express withdrew its first formal offer of $34 a share. According to the letter, American Express thus ended litigation and the discovery process "moments before" McGraw-Hill's lawyers were to begin probing "serious questions as to whether American Express" had been guilty of illegal compliance with the Arab boycott of Israel." American Express has denied the allegations and also McGraw-Hill's suggestion that there are legal barriers which would prevent a bid going through even if the McGraw-Hill Board approved it.

It retreated, however, to the position of leaving the $40 a share offer on the table provided McGraw-Hill's Board did not actively oppose it or force it into further litigation. This it into further litigation. It will be interesting to see what will be the effect on this offer if McGraw-Hill seeks to involve American Express in the actions brought by the McGraw-Hill shareholders against their own Board.

Inevitably perhaps in the cut and thrust of the battle both companies have come under closer public scrutiny—and this has not been in American Express's interests.

While analysts were well aware of the threat to American Express's highly profitable travellers' cheque and credit card business from mounting competition from commercial banks and the new electronic funds transfer technology, the risks American Express has been prepared to run to try to acquire McGraw-Hill indicates how anxious it is to secure a major diversification.

The company had already signalled its strategy through unsuccessful approaches to three other companies: Walt Disney Productions, Philadelphia Life and Book of the Month Club.

The company's credibility as a takeover bidder has been damaged, leaving Wall Street to ask why it signed up as advisers Lazard Freres, the investment banking firm which has the reputation of being one of the best streetfighters in a contested bid, if it was not prepared to get its nose bloodied.

Finally, Washington's attention has been drawn to the special exclusion which American Express enjoys from the 1970 Bank Holding Company Act, an exclusion which McGraw-Hill's lawyers have hinted may no longer be valid.

The act prevents banks from diversifying out of bank-related business. American Express, however, must hope that it will continue to enjoy its special status.

Lifting the veil on the major source of investment funds

BY ERIC SHORT

PENSION SCHEMES are now the greatest source of investment funds. Yet very little is known about them, unlike the life assurance companies which are well documented. Information on such things as the current value of pension funds, their cash flow and the split of investment portfolios are not tabulated or monitored by any central body.

The Wilson Committee has brought the role of pension funds in investment very much to the fore. One question being asked of the funds is their accountability and that means making information available to the public. Last week, the National Association of Pension Funds took a big step in this direction by publishing its first ever Year Book* for 1979.

The first piece of information provided is the actual list of members of the NAPF. Up to now, there has not been available even a list of the names of pension funds. Those in the year book are by no means a comprehensive list of all pension schemes in the UK since the NAPF is effectively a trade association and membership is voluntary. But most of the major pension schemes, and many of the minor, belong to the association.

The Year Book goes on to explain the functions of the NAPF, its role as spokesman for the pensions movement in dealing with Government and in the field of public relations. It undertakes an important educational role in training junior staff of pensions departments and running courses for trustees on their duties and responsibilities.

On behalf of its members, the NAPF provides an investment protection service. Last year, this service showed its teeth on two major occasions — the Barclay's Bank takeover of the Investment Trust Corporation and the Allied Breweries takeover of J. Lyons. It runs a series of investment seminars for pension fund managers; the latest was held in the autumn on property investment.

The NAPF in the past has tended to be a rather nebulous organisation, acting as though *its activities were of no concern* but to its own members. Now the Year Book explains to the world at large just what the NAPF is.

Finally, the Year Book provides details of some of the individual pension schemes—information that has not appeared before in an official publication. In the case of some members, it is just the name and address of the fund with perhaps the name of the NAPF representative.

But for other members it provides a wealth of additional detail covering such fields as the number of members, the number of pensioners, the type of fund, the value of the fund, the annual contributions, the names of the pension scheme managers and the names of the various professional advisers.

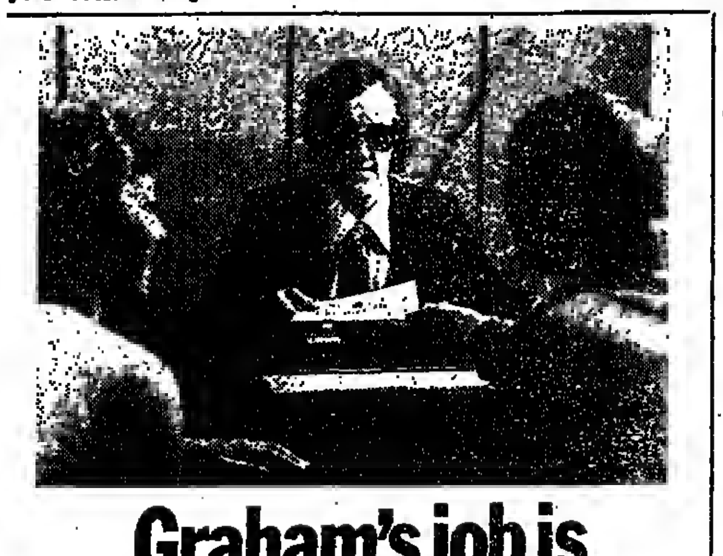
Because it is a trade association, the NAPF cannot demand that its members submit information; it can only persuade. So the information given, although extremely useful is still far from complete. Still not known is the value of assets of NAPF members. The Association expects more members to provide details of their funds in time for next year's handbook.

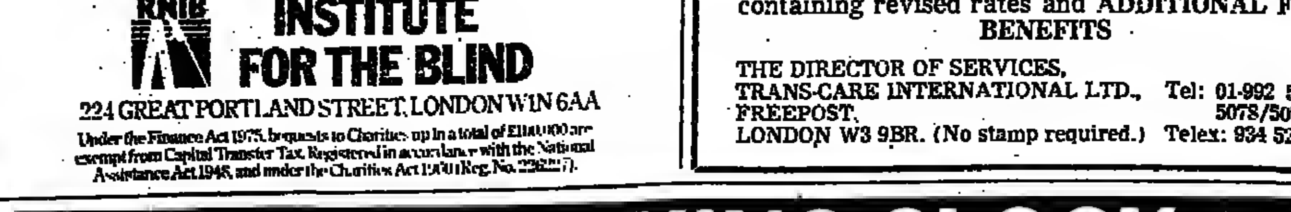
It is also hoped to extend the coverage. Useful information would show the net cash flow as distinct from the annual contributions. And for the self-administered funds it would be useful to give a split of the portfolio between equities, property and fixed-interest. A summary of the major funds, tabulated by size would also be a helpful addition. The NAPF says it is open to suggestions on how to improve the coverage.

The NAPF is also taking other steps to extend its information services. It is aiming to build up and maintain a comprehensive library of books and documents relating to pensions matters, including the latest report and accounts of the various members. But again it has to rely on persuading and coaxing its members into supplying a copy of the latest accounts. Although the library is primarily for the use of members, it will be available to the Press and other members of the public.

The first step towards making pension funds accountable is the provision of information concerning those funds. Insurance companies tend to operate openly and within the glare of publicity. The pension funds could well come out of the shadows and follow the precept of the insurance industry. And this NAPF Year Book is a useful move in the right direction.

**The NAPF Year Book 1979 is available from the National Association of Pension Funds, Prudential House, Wellesley Road, Croydon CR9 9XY. Price £6.50 plus postage.*





LOMBARD

The abandonment of growth

BY PETER RIDDELL

ONE OF the most curious casualties of five years of Labour Government has been the abandonment of any specific economic growth or unemployment targets—highlighted by the recent expenditure White Paper. This does not represent any sudden conversion to the undesirability of growth on ecological grounds, of which the first sign will presumably be National Enterprise Board support for solar powered micro chips in BL cars.

The quiet jettisoning of growth and unemployment targets—by senior ministers at least—is far more an enforced response to the events of the last few years, in particular the intractable problems of inflation. As Mr. Joel Barnett, the Chief Secretary to the Treasury, pointed out when discussing the illustrative projections (not targets) in the spending White Paper—"2 to 3 per cent is in any case substantially below the sort of growth rate we had earlier hoped for when looking to the opening years of the 1980s." But it is not only growth expectations that have been downgraded but also, more significantly, there has been a decline of any real belief in the Government's ability to boost the growth rate, at least through direct fiscal action or intervention.

Incidental

The existence of the industrial strategy does not contradict this view since the strategy does not even claim to involve a commitment to faster short-term growth. Instead the emphasis is on identifying obstacles to improvements in productivity which, it is hoped, will have the incidental—though long-term — result of boosting overall expansion.

On the Tory side, there seems to have been a considerable shift, at least in the current regime, towards the view that governments should limit their role to establishing the conditions in which people can create their own prosperity. This was the theme of Sir Geoffrey Howe's speech last Saturday.

But on the Labour side, the change appears to be more a practical response to immediate pressures rather than an intellectual conversion, even if the policy priorities—reducing the inflation rate—are the same. The action of ministers in ditching growth targets are, of course, strongly disputed by wide sections of the Labour Party, on both right and left wings, who believe that the pursuit of growth is a correct objective of macro-economic policy.

The result is a noticeable emptiness at the heart of Government economic policy as emerges clearly from the expenditure White Paper and the comments on it of both monetarist and non-monetarist economists. This is the essence of what my colleague Samuel Brittan has called unbelieving monetarism—accepting monetary disciplines but only because they are imposed by the markets, and without consistent supporting policies.

There are, for example, the criticisms of Mr. Terry Ward, the specialist adviser to the general sub-committee of the Expenditure Committee. He has attacked the failure of the Government to give any indication of what it believes to be the desirable rate of output growth, let alone of policies necessary to achieve this. "Instead, the impression is conveyed that the rate of economic expansion is largely outside the Government's control and that budgetary policy, of which public expenditure is part, has been accorded the role of ensuring, so far as possible, the achievement of the over-riding objectives of further reducing inflation and repaying foreign debt. . . . This leaves little scope for the pursuit of any independent growth or employment target."

Inconsistent

On the other side, the abandonment of growth targets has been welcomed. The monetarist attack is that the government's fiscal and monetary policies are incompatible and that the level of public spending and borrowing is too high to be consistent with a reduction in the rate of inflation.

Both sides essentially agree that the government's attempt to reconcile the monetarist priorities of the markets and the non-monetarist and public spending preferences of its supporters has failed. Mr. Healey's qualities of intellectual flexibility and resilience may have had much to commend them in the difficult days of 1974-76 but in the end it is not possible to please all the people all of the time.

Winter's sharp frost selects

GARDENS TODAY

BY ROBIN LANE FOX

THIS WEEK, gardeners are counting the casualties. At least they can give them a quick and decent burial. Deceived by the long-range forecast for January, I made too few moves to protect the less hardy stock. February, we have been told, will be almost as harsh. So far, the frosts have taken the oddest turnings. They have thrown up strange results among plants which I picture as maquis.

Cistus, these days, is a popular shrub. Perhaps it is a memory which we all bring back from Mediterranean holidays. The resinous scent of the cistus-leaf is a quick short-cut for the mind, back to warm weather and those hours after lunch when not even the goats know where to put themselves. As the pound has dropped, my number of cistuses has risen, a substitute for days by the sea. But I could not advise you before this year which varieties are tougher than others. There are two hardened veterans, laurifolius and the prettier obtusifolius. That much we already know. But the past month, with me, has reversed the old order. Much, for example, was once said about the toughness of a slow and small-flowered new hybrid called silver pink. I fell for this on sight. Yet it has now had its third set-back in five winters and has lost my favour. It is too slow-growing to recover itself. Late this autumn, it was on offer all over my local garden-centres. In my opinion, it is not now the best, though it once won an award of Garden Merit from the R.H.S. The flowers are small, the shape too lowly and the colour is unimpressive.

Cistus sunset is more spectacular. Its flowers are sold as "deep rose." To be honest, they are a straight up-and-down magenta. That is nothing to be shy about. I like some strong magenta. One year, I mixed it with the fine autumn convolvulus called mauretanicus, the same sort which runs to pale slate-blue flowers. For a warm garden or a European sun-spot, I recommend this match. Sunset flowers on into early autumn. Slate-blue and magenta are a fine pair. But the convolvulus will not stand my winters. I have had to replace it with sky-blue flax, another fine plant but too slender for the job. Now, sunset has gone down for the last time. The frosts have wiped out its woolly grey-green leaves. The stems are all brown inside if you scratch them low down on the plant, a reliable test for the dead or the living in almost every shrub except the potentillas. Sunset, I fear, will be missing this summer. That is a nuisance and also a surprise as it was once classed as "comparatively hardy." Its parent form, I am told, grows profusely in North Africa. No wonder it has found our January too sharp.

Yet an adjacent cyprius is quite untouched. This is good news. In 1963, the last cold bout, I was not a cistus-watcher. This tall and gum-scented evergreen had always looked to be fragile. Roughly, the more a cistus smells of sunshine and sends up bold evergreen leaves, the more one mistrusts its stamina. Cyprius goes up quickly to a height of five feet. It carries several flowers on one stalk and wears that heavenly blotch of rose-crimson in the centre of its wide white flowers. It is as good as the less obliging hibiscus in a British garden. Perhaps you have a dry and sunny slope, beside steps or a wall or the edge of a front drive. If you can picture it with tall and loosely-spreading shrubs at intervals among it, then this cistus is the plant to risk. Its leaves shine and go grey-green later in the season. Plainly, I have mistrusted its hardiness. It is stronger, even, than sunset and thus not at all the gamble which I had once imagined. It exceeds the European form, cadaniffer, which you might mistake for it. The latter is certainly less hardy. A hybrid Spanish relation, called aguilari, is more often on sale. There is no denying its prettiness, the boldness of its flower and the shaping on its leaves. But I have despaired of it in high winds, which break its top-growth. Now it has gone in the frost which has killed it right back.

What about two others whose leaves are especially sticky? Anybody would fall for old purpureus. It has those lovely rose-coloured flowers with the darer blotch. It glows all over its papery petals when full in flower. Against the south wall of a house it might be safe almost anywhere in usual winters. But if wide flowers will be passing me by this year, I like it enough at the manageable height of two feet for it to be worth another try. But it cannot rank high in the lists for toughness. Every year, an open-ground plant has shown signs of winter wear. So this is no judgment on one month's bad luck. At first glance, its flowers are the most seductive. But all round, it is not the equal of cyprius.

Comparisons in botanic gardens incline me to think that the hybrid once known as loretii is the most strongly scented of all in its leaf. Notcutts of Woodbridge, Suffolk, sell this one among their other good stock of the family. It likes a well-drained, warm and fertile soil. Technically, it should now be called lusitanicus decumbens. I regret this, but as it sells under either name, you should be warned. It is such a useful plant, in principle. It spreads more than most and knits together prettily. You see it sometimes on well-gardened slopes in southern France, like our less handsome Rose of Sharon. The flowers are white with a blotch, like a smaller cyprius. But it has gone, I fear, in this winter. A plant, then, for south walls and safety.

Rough but revealing, a cold spell sorts things out. These observations are anecdotal, of course. They are made on a light alkaline soil some 50 miles north of London on a slope, however, which catches the cold wind. Further north, the results might be worse. But for lucky Gulf Stream gardens or south European commuters, the point is rather different. Count your blessings and buy all those which I name for a sunny border. If they survive, they are all too good to miss.

Cistus laurifolius: a hardened veteran.

Likely team for Fontwell

RACING

BY DOMINIC WIGAN

FRED WINTER, who has been more *careful* than most about risking his charges on the often suspect and unpredictable going of the last few weeks, sends a likely looking team to Fontwell today.

The champion trainer's best prospect, in my opinion, is Barry Brazier's Raise You Ten gelding, Shannon Bridge, a close-season recruit from Ireland.

The neck conqueror at level weights of My Buck in the two-mile Woodborough novices chase at Nottingham on December 11 in which the 6-4 favourite, Master Melody, was eight lengths back in third place, Shannon Bridge met stiffer opposition against Silver Buck in a division of Leicester's Christmas Tree Novices Chase a week later.

Prominent, going well in the early stages and, apparently, the only threat to the Dickinson gelding, Shannon Bridge met the seventh wrongly and paid the penalty.

In his only subsequent race, Shannon Bridge, a good-looking recruit to Uplands, showed that his mishap on the Midlands course had in no way impaired his confidence with a respectable second-place effort behind the fast-improving Tragus in a similar event at Fontwell.

With the form of that event gaining a useful boost through Tragus's two subsequent victories on the same course, I find it impossible to look beyond Shannon Bridge for the opener, the 2¼ mile Climping Opportunity Chase won a year ago by stablemate, Linsky.

Another likely winner for Uplands is Mauritius, among the runners for the afternoon's long distance novices chase. A useful though not over-talented gelding who obliged over the minor obstacles at Cheltenham and Towcester last season, Mauritius faded out of contention disappointingly to finish a well beaten third of three finishers behind Tragus and Gale Forecast at the last meeting here.

In the belief that the bog-like conditions were largely responsible for his poor showing, I give the Carnival Night gelding another chance to show that a modest event such as the 3¼ miles Selsey Chase is within *his range*.

FONTWELL
1.30—Shannon Bridge***
2.00—Plastic Cup
2.30—Catsgore
3.00—Parallelray
3.30—Mauritius
4.00—Zarajeff

HAYDOCK
2.15—Rambling Artist*
2.45—Beggar's End
4.15—Cheltenham**

TV/Radio

† Indicates programme in black and white

BBC 1

9.38 am For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 Fingerbobs. 2.01 For Schools, Colleges. 3.00 Delia Smith's Cookery Course. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Touché Turtle. 4.25 Jackanory Writing Competition. 4.40 Take Hart. 5.00 John Craven's Newsround. 5.05 The Strange Affair of Adelaide Harris. 5.35 Noah and Nelly.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.45 Noel Edmonds' Lucky Numbers.
7.35 Morecambe and Wise at the BBC.
8.05 The Aphrodite Inheritance.
9.00 News.
9.25 Sportsnight.
10.25 The Risk Business: Before the Flood.
11.05 Tonight.
11.45 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

Scotland—11.00-11.20 am and 2.18-2.38 pm For Schools. 5.55-6.20 Reporting Scotland. 11.45 News and Weather for Scotland.

Wales—2.18-2.38 pm I Ysgolion. 5.05 Bilidowcar. 5.30-5.35 Crystal Tipps. 5.55-6.20 Wales Today. 6.45-7.35 Heddiw. 11.45 News and Weather for Wales.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.45 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

10.20 am Gharbar.
10.45 Parosi.
11.00 Play School.
5.35 pm News on 2 Headlines.
5.40 Cicero.
6.35 The Fishing Race.
7.00 Top Table.
7.45 Mid-evening News.
7.55 The World of Rugby.
8.20 The Money Programme.
9.00 M*A*S*H.
9.25 Rebecca.
10.20 My Kind of Movie: Lady Antonia Fraser on "The African Queen."
10.25 The Innes Book of Records.
10.45 Late News.
11.00 Darts: Embassy World Professional Championship.
11.50 Closedown (Reading).

LONDON

9.30 am Schools Programmes. 12.00 Clopps Castle. 12.10 pm Stepping Stones. 12.30 The Cedar Tree. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus. 3.20 Kitchen Garden. 3.50 Letter by Letter. 4.20 How. 4.45 The Book Tower. 5.15 Little Vic.
5.45 News.
6.00 Thames at 6.
6.25 Help!
6.35 Crossroads.
7.00 Coronation Street.
7.30 Mid-Week Sports Special: European Nations Cup: England v. Northern Ireland.
9.30 This Is Your Life.
10.00 News.
10.30 Streets of San Francisco.
11.30 Guinness Golden Darts.
12.10 am What the Papers Say.
12.25 Close: Xanthi Gardner reads from "The Prophet," by Khalil Gibran.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 pm Anglia News. 2.00 Houseparty. 2.25 Family. 5.15 Mr. and Mrs. 6.00 About Anglia. 11.40 Westside Medical. 12.40 am The Big Question.

ATV

1.20 pm ATV Newsdesk. 5.15 The Rolf Harris Show. 6.00 ATV Today. 10.30 A Twist in the Tale. 12.15 am George Hamilton IV.

BORDER

1.20 pm Border News. 2.00 Houseparty. 2.25 The Family. 5.15 Josey Quest. 6.00 Lookaround Wednesday. 10.30 Richie Brockelman. 11.30 The Practice. 11.55 Border News Summary.

CHANNEL

1.18 pm Channel Lunch-time News and What's On Where. 2.25 Family. 5.15 Emmerdale Farm. 6.00 Channel News. 6.10 Funky Phantom. 10.28 Channel Late News. 10.32 Celebrity Concert (Roberta Flack). 11.30 S.W.A.T. Squad. 12.25 am Epilogue followed by News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm Grampian News Headlines. 5.15 Emmerdale Farm. 6.00 Grampian Today. 10.00 Feature Film: "Butterflies are Free," starring Goldie Hawn. 10.30 Scotsport Special. 11.15 Reflections. 11.20 Westside Medical. 12.15 am Grampian Late Night Headlines.

GRANADA

1.20 pm This is Your Right. 2.00 Live From 2. 5.10 What's New. 5.15 Crossroads. 5.00 Granada Reports. 5.30 Give Us A Clue. 10.30 The Wednesday Film. Richard Wydmark in Destination Gobi. 12.00 What the Papers Say.

HTV

1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Emmerdale Farm. 7.00 This Wales. 6.30 Emmerdale Farm. 10.35 "Streets of Fear," starring Joe Don Baker. 11.40 Code R.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion Y Dydd. 4.20-4.45 'Rydw I Am Fod. . . . 6.00-6.15 Y Dydd.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

1.25 pm News and Road and Weather. 5.15 Cartoon. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Report. 7.00 This Is Your Life. 7.30 Coronation Street. 8.00 Feature Film: "Lady L," starring Sophia Loren, Paul Newman and David Niven. 10.30 Scotsport Special. 11.15 Late Call. 11.20 Love Story.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 Young Ramsay. 5.15 Sinbad Junior. 5.20 Crossroads. 6.00 Day By Day. 6.20 Scene Mid Week. 2.45 Dick Barton—Special Agent. 11.30 Southern News Extra. 11.40 The Electric Theatre Show.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 1.20 pm North East News and Where the Jobs Are. 5.15 Laverne and Shirley. 6.00 Northern Life. 10.30 "Satan's Triangle." 12.00 Epilogue.

ULSTER

1.20 pm Lunchtime. 2.25 The Electric Theatre Show. 2.55 The Untamed World. 4.12 Ulster News Headlines. 4.20 How. 6.15 Cartoon Time. 6.20 Crossroads. 6.00 Good Evening Ulster. 10.30 S.W.A.T. 11.30 Bedtime.

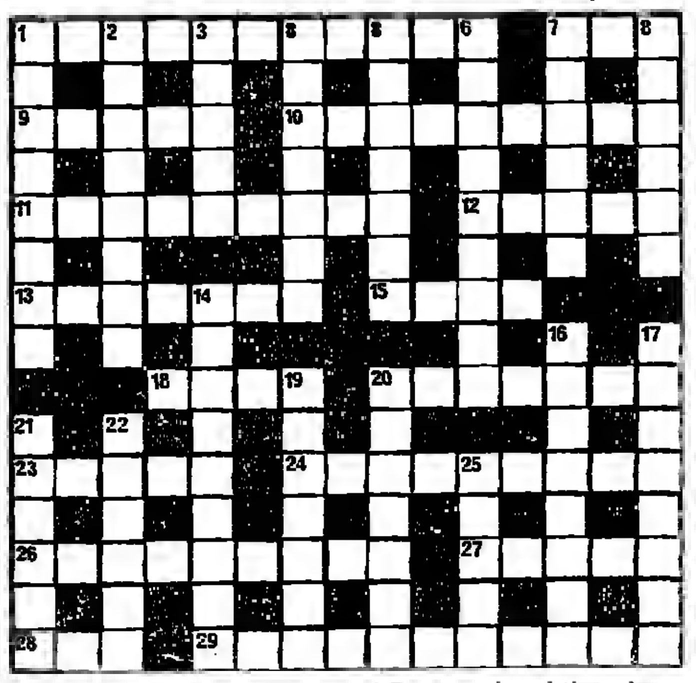
WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 5.15 Emmerdale Farm. 6.00 Westward Diary. 10.28 Westward Late News. 10.30 Celebrity Concert (Roberta Flack). 11.30 S.W.A.T. 12.25 am Faith for Life. 12.30 West Country weather and Shipping forecast.

YORKSHIRE

1.20 pm Calendar News. 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 10.30 Casino de Paris. 11.30 Electric Theatre Show.

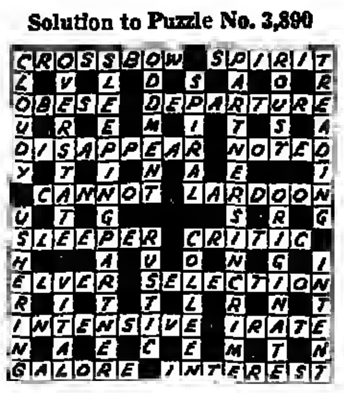
F.T. CROSSWORD PUZZLE No. 3,891



ACROSS
1 Bad about eastern chief being muddled (5-6)
7 and 28 Bird making fish go off (6)
9 Transcript for male voice (5)
10 Tormentor takes a long drink about ten (9)
11 A goddess met round the north could be entertaining (9)
12 River-head joining mountain range in the country (5)
13 Match? The devil it is! (7)
15 Chief cook I must leave (4)
18 Rainbow to be seen in Fair Isle (4)
20 Where shaft emerges and it could be mine (3-4)
23 He's accepting notice from bosses (5)
24 Alarm made to create a jam (9)
26 Stupid member may provide support (6, 3)
27 Cut off fruit (5)
28 see 7 across
29 Drive crazy about kitchen fireplace being in disorder (11)

DOWN
1 A badly cut friend, as a matter of fact (8)
2 Accuse and haunt feline (8)
3 Weird nest we hear (5)
4 Turn north-east and applaud old comfort (7)
5 Change its card to become violent (7)
6 Prevent chap being cleaner (9)
7 Vessel to strain where food is stored (6)
8 Soldiers depend confidently on following, but not often (6)
14 The place to cultivate hybrid dates? (9)
16 Take the goodness out of article in plate (8)
17 Notice he takes revenue from follower (8)
19 Pattern right for embroidery (7)
20 Fish with silver on, making model of perfection (7)
21 Exhibitor in the rain (6)
22 Jumbo pilot? (6)
25 Plenty for politician in drink (5)

Solution to Puzzle No. 3,890



Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo	BBC Radio London: 1458kHz, 206m & 94.9vhf
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92-95vhf	Capital Radio: 1548kHz, 194m & 95.8vhf
				London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.0 Simon Bates. 11.31 Paul Burnett. 2.00 pm Tony Blackburn. 4.31 Kid Jensen. 7.00 Radio 1 Mailbag. 9.00 Andy Peebles. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am: As Radio 2.

VHF Radios 1 and 2—5.00 am With Radio 2. 7.30 pm Listen to the Band (S). 8.15 The Magic of the Musicals (S). 9.02 The Impresarios. 9.55 Sports Desk. 10.00 With Radio 1. 12.00-5.00 am: With Radio 2.

RADIO 2

5.00 am News Summary. 5.02 David Allen (S). 7.32 Terry Wogan including 8.27 Racing Bulletin and 8.45 Pause for Thought (S). 10.03 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S). 2.30 David Hamilton (S). 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S). 6.45 Sports Desk. 7.02 Robin Richmond: The Organist Entertains (S). 7.30 European Soccer Special: England v Northern Ireland plus news of Scotland v Belgium. 9.55 Sports Desk. 10.02 My Sainted Aunt (7). 10.30 Derek Nimmo says Be My Guest. 11.02 Brian Matthew introduces Round Midnight including 12.00 News. 2.25-5.00 am You and the Night and the Music with Bill Rennells (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composer: Boyce (S). 9.35 Music for Organ (S). 10.15 Kreutzer Sonata (S). 11.10 Midday Concert, part 1 (S). 12.00 Interval Reading. 12.05 pm Concert, part 2. 1.00 News. 1.05 Concert Hall (S). 2.00 The Shostakovich Quartets (S). 2.45 Symphonies from the New World (S). 3.45 A Scarlatti Piano (S). 4.30 Jan Dismas Zelenka concert (S). 5.30 Young Music-Makers (S). 5.45 Homeward Bound (S). 6.30 News. 6.35 At Home (5). 7.30 A Georgian Master: William Boyce (talk by Harry Diack Johnstone). 8.00 BBC Symphony Orchestra, part 1: Haydn (S). 8.20 The Arts Worldwide: 8.40 BBC Symphony Orchestra, part 2: Mahler (S). 10.05 Human Nature by Edward D. Wilson (discussion). 10.50 Building a Library of records (S). 11.55 News.

RADIO 4

9.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today: magazine, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 The Living World. 9.35 On Location. 10.00 News. 10.05 Gardeners' Question Time. 10.30 *Daily Service.* *10.45 Morning Story.* 11.00 Time for Action. 11.45 Listen with Mother. 12.00 News. 12.02 pm You and Yours. 12.27 Lord Peter Wimsey. 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.05 Afternoon Theatre (S). 3.50 Choral Evensong. 4.35 Story Time. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 General William Booth (8). 8.45 Nation to Nation. 8.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Cool Web (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

6.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 In Concert. 10.03 Late Night London. 12.00 As Radio 2. 12.05 am Question Time. From 1.05—As Radio 2.

London Broadcasting

5.00 am Morning Music. 6.00 A.M.: news, information, travel, sport. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale. 4.00 LBC Reports (continued). 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

2.00 am Graham Dene's Breakfast Show (S). 9.00 Mike Smith (S). 12.00 Dave Cash (S). 3.00 pm Peter Young (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Duncan Johnson's Night Flight (S).

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. Credit cards 01-240 5258. Reservations 01-836 3161. ENGLISH NATIONAL OPERA [illegible]

COVENT GARDEN. [illegible] THE ROYAL BALLET [illegible] THE ROYAL OPERA [illegible]

DOMINION. [illegible] LONDON FESTIVAL BALLET [illegible]

SADLER'S WELLS THEATRE. [illegible] D'OYLY CARTE [illegible] THE YEOMEN OF THE GUARD.

THEATRES

ADELPHI THEATRE. [illegible]

ALBERY. [illegible]

ALDWYCH. [illegible] ROYAL SHAKESPEARE COMPANY [illegible]

AMBASSADORS. [illegible] "A superb performance." FT GERALD FLOOD In A NEW THRILLER WHO KILLED AGATHA CHRISTIE . . .

APOLLO. CC. 01-437 2663. Evgs. 8.00. Mats. Thurs. 3.00. Sat. 5.00 and 8.00 LANA MORRIS JANE DOWNS and DENNIS RAMSDEN SHUT YOUR EYES AND THINK OF ENGLAND 2nd WICKEDLY FUNNY YEAR. "Very very funny, great entertainment." NoW

ARTS THEATRE 01-836 2132 TOM STOPPARD'S DIRTY LINEN "Hilarious . . . see it." Sunday Times Mon. to Thursday 8.30. Friday and Saturdays 7.00 and 9.15

ASTORIA THEATRE. CC. Charing Cross Rd. 734 4291 or 439 8031. Mon-Thurs. 8.00 pm. Fri. and Sat. 6.00 and 8.45 ELVIS BEST MUSICAL OF THE YEAR EVENING STANDARD AWARD SECOND GREAT YEAR Group bookings 01-437 3856

CAMBRIDGE CC 01-836 6056 Evgs. 8.00. Mats. Thurs. and Sat. 3.00 TROUBADOR A NEW MUSICAL THE BEST BRITISH PRODUCTION OF A MUSICAL SINCE "CAMELOT" Brenda Marshall, Capital Radio. CREDIT CARDS WELCOME

COMEDY 01-930 2578 Opening February 21 at 7.00 BERNARD CRIBBINS JOYCE BLAIR and NORMAN ROSSINGTON in FORTY LOVE A New Comedy WITH STELLA TANNER PREVIEW TUES. FEB. 20 at 8.00

CRITERION. From 8.30 am. 930 3216 CC bkgs. 836 1071. Evs. Mon. to Thurs. 8.00. Fri. and Sat. 5.40 and 8.30 BEST COMEDY OF THE YEAR Evening Standard Drama Awards GLOO JOO "Michael Hastings's quick-witted farce on how to become a legal immigrant in one easy wedding." Observer "THE MOST HILARIOUS PLAY FOR YEARS." Financial Times

DUCHESS 836 8243 Mon. to Thurs. Evenings 8.00. Fri., Sat. 5.30 and 8.15 "The nudity is stunning." Daily Tel. OH! CALCUTTA! Ninth Sensational Year

DUKE OF YORK'S CC 01-836 5122 Evenings 8.00 pm. Fri. & Sat. 5.30, 8.30 TOM COURTENAY FELICITY KENDALL CLOUDS "IS BLISS." Observer "MICHAEL FRAYN'S FUNNIEST PLAY." Daily Telegraph

DRURY LANE. CC. 01-836 8108. Mon.-Sat. 8.00. Mats. Wed. and Sat. 3.00 A CHORUS LINE "A rare devastating, joyous, astonishing stunner." Sunday Times LAST EIGHT WEEKS

FORTUNE 836 2238 Evs. 8.00. Thurs. 3.00. Saturday 5.00 and 8.00 Muriel Pavlow as MISS MARPLE MURDER AT THE VICARAGE FOURTH GREAT YEAR

GARRICK. CC. 01-836 4601. Evgs. 8.00 (sharp). Wed. 3.00. Sat. 5.30 and 8.30 DENIS QUILLEY in IRA LEVIN'S New Thriller DEATH TRAP "THREE CHEERS FOR TWO HOURS OF MARVELLOUS ENTERTAINMENT" S. Tel. "VERY EXCITING." Fin. Times VERY INGENIOUS, VERY FUNNY

GLOBE THEATRE CC 01-437 1592 Evgs. 8.15. Wed. 3.00. Sat. 6.00, 8.40 PAUL EDDINGTON, JULIA MACKENZIE BENJAMIN WHITROW in Alan Ayckbourn's new comedy TEN TIMES TABLE LAST WEEKS MUST CLOSE MAR. 3 after 380 perfs. OPENS MAR. 7 Alan Ayckbourn's new comedy JOKING APART Box Office open Book Now!

GREENWICH THEATRE. 01-858 7755. Evenings 8.00. Mats. Sats. 2.30. The award-winning play DA by Hugh Leonard. "It was a joy to see." D. Tel. "Enormously enjoyable." E. News.

HAYMARKET. 01-930 9832. Evgs. 8.00. Wed. 2.30. Sat. 4.30, 8.00. PENELOPE KEITH NIGEL HAWTHORNE CHARLES KAY ANGHARAD REES and IAN OGILVY in THE MILLIONAIRESS by BERNARD SHAW Limited Season MUST END MARCH 3.

KING'S HEAD. 226 1916. Dnr. 7.30. Show 8.30. THE ERPINGHAM CAMP by Joe Orton. "Full of comic invention." FT.

KING'S ROAD THEATRE. 01-352 7488. Mon. to Thurs. 9.00. Fri. and Sat. 7.30 and 9.30. THE ROCKY HORROR SHOW DON'T DREAM IT, SEE IT LAST EIGHT WEEKS

OPEN SPACE. 387 6969. Opens Ton't 7. Subs. Tues.-Suns. at 8. BRIMSTONE & TREACLE by Dennis Potter.

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THEATRES

[illegible]

CINEMAS

[illegible]

هكذا من الأصل

THE ARTS

Television

Floreat Edwardiana

by CHRIS DUNKLEY

One bad thought that British television's scramble into Edwardiana might have reached its climax with *Lillie* in which Edward himself came so close to the centre of things. It now seems, however, that that was little more than a saunter; the Gadarene rush had scarcely started. Admittedly the highest quality piece of Edwardian material to reach our screens so far was last autumn's *Lost Boys*, and it is hard to imagine it quickly being surpassed in terms of writing, acting or the capturing of historic mood.

But for sheer quantity we had to wait for 1979. In the last week we have had the beginning of *Flambards*, the continuation of *Thomas And Sarah*, and BBC1's presentation of *The Voysey Inheritance* as "Play Of The Month," the first set in 1908, the next in 1911, and the third written and set around 1909.

Could it be that the popularity of Edwardian drama, reflecting those rigid social divisions, the public flaunting of wealth, belief in the benefits of science, the unquestioned power of the British Empire, and the energy and innocence of an age preceding two world wars varies in direct proportion to our modern troubles?

Can we in other words thank the growth of egalitarianism, the camouflaging of wealth for fear of thieves and kidnappers, the growing dread of nuclear and technological developments, Britain's shrinking international influence, and the increasing lethargy and cynicism of the present age for this increased tendency to turn back to a glorious past?

Or is it just that horses and biplanes (vroom vroom) look absolutely stunning bopping over hedges on colour telly? No doubt both factors play a part. Yet, as we shall see different dramas do actually have quite different attractions even though they happen to have been set within this one brief period.

Flambards: all "vroom vroom and canter"

The most amazing fact to discover about David Cunliffe's production of *Flambards* for Yorkshire Television is that despite its appearance of having been assembled by TV-computer to exploit the country house and settings of *Hadleigh*, the horsey attractions of *International Show Jumping*, the early aeroplanes of *Wings*—vroom vroom—and the family/servant relationships of *Upstairs Downstairs*, it is actually adapted from a trilogy of books written by Kathleen Peyton which began publication 12 years ago.

Furthermore a glance through the first chapter of the first book, recently re-issued by Puffin to accompany this 12-part TV series, suggests that Alan Plater's adaptation is quite unusually faithful. (Though the same glance confirmed the suspicion that a trendy and, therefore, fake-sounding reference by the maid to the uselessness of men was, indeed, not in Miss Peyton's work.)

The result is superb escapist entertainment, even if the plot scarcely burns with originality: orphaned heiress Christina goes to live with Uncle Russell who is confined to a wheelchair by a hunting accident. He is a port-swilling tartar who lives through his hard-hunting, hard-swearing, housemaid-fondling son Mark who cannot grasp algebra. Father and son despise younger son William who sides with the fox, studies aeronautics, joins secretly in building an aeroplane (vroom vroom) and feels servants are degraded.

Paragon of all the virtues is the upstanding, animal-loving, self-respecting young groom, Dick, who is—of course—a better horseman than even the Young Mayster hisself. Christina (played by a new and very impressive young actress named Christina McKenna) has a bit of a pash for him.

Those of us who found childhood made more bearable by the fantasy of *The Secret Garden*, *Jane Eyre* and *Wuthering Heights* will indulge in *Flambards* with enormous pleasure, and our delight in the narrative flights and the cantering dialogue (assuming we can hear it through the foreground music) will be enhanced by the pictures of the aeroplanes, vroom vroom, and of the hunt.

One other point about the pictures: unless my eyes deceive me, it is not only the exteriors but the house interiors which have been shot on location. This avoids the frequent absurdity of TV houses with upper floors seemingly eight times the size of ground floors, and lends a vividness and veracity to film which is appreciated by any keen viewer who has learned what real interiors and people in those interiors look like from years of documentaries. Studio sets always allow cameras unrealistic amounts of room.

London Weekend's *Thomas and Sarah* is the development from *Upstairs Downstairs* which, it seems, John Alderton has long been pressing for: his character, Thomas the chauffeur, and that of his wife Pauline Collins (Sarah the parlourmaid) are found here independent of the Bellamy household and becoming involved in all sorts of adventures.

Very clearly the formula is popular: Episodes 1, 2 and 3 reached places 10, 14 and 5 in the JICTAR ratings. Moreover one should not underestimate the significance of a paragraph in a *TV Times* article introducing the series: "Another continuing fascination is the possibility of dollar-earning American locations because finally, Thomas and Sarah consider emigrating. Their arrival in the land of the free could, with American television companies chipping in, extend the series for many profitable years." Quite.

Its commercial success is in little doubt. Yet its strengths and weaknesses are almost the reverse of those in *Upstairs Downstairs*: by having Thomas set up in a garage and Sarah living as a lady's companion, the new series has broken out into the wide world and is busy exploiting the fact. Thomas has already been tempted to switch his allegience from cars to the development of aeroplanes. Vroom vroom.

Much of the strength of *Upstairs Downstairs* came from the discipline of remaining inside the single household. Fresh characters could intrude—Edward VII once popped in to set the tone—and occasional sorties could be made outside. But the muscle of the series, the regular characters, developed through constant use, and admiration for the series sprang mainly from the consistent credibility with which they developed. Episode 1 of *Thomas And Sarah* looked somewhat incredible, and Episode 2 more so. The series will no doubt entertain and continue to win ratings. But not, I think, the critical accolades collected by *UD*. The primary attraction of *Thomas And Sarah*, as of *Flambards*, is escapism.

In complete contrast the main significance of BBC1's *The Voysey Inheritance* was its startling relevance to our present day lives and society.

This is not to suggest that David Jones' farewell Play Of The Month production failed to entertain. On the contrary, seeing the play for the first time was an eye-widening experience since it proved—under Robert Knights' direction—that as a journeyman dramatist Harley Granville Barker could leave Bernard Shaw whittling in a corner.

Where Shaw's characters are so often ciphers representing moral attitudes and virtually empty of living character, Barker's combine the two qualities. Admittedly some of those in *Voysey* get very close to caricatures, and Jeremy Child's bullying Booth Voysey actually dived gloriously over the edge. However, the play does work wonderfully well as narrative drama: the story of professional corruption handed on from one generation of solicitors to another is positively gripping.

The most interesting point, however, is that although Barker was writing about the Edwardian world, the problems he considered—concerning the morality of business methods, for example, in which one man uses another's capital to make money for himself and his other clients (isn't that precisely what banks and building societies do?)—are as important today as they were in 1909. Yet they are not the sort of questions which dramatists seem bothered to ask any more.

Those of today's playwrights who are interested at all in morals are more concerned with such vague conundrums as "Whither the middle classes?" and "What about women?" Osborne is normally credited with starting it all in 1956 with *Look Back in Anger*. Yet it turns out that Barker even went into all that in 1909, too; his condemnation in *Voysey* of the corruption of the effete middle classes and his portrait of the state of marriage and the standing of women within it pre-dates Osborne by nearly 50 years.

After seeing *The Voysey Inheritance* it is difficult to understand what all the fuss was about in 1956. Edwardiana is clearly not played out yet.

Margaret Rawlings

May Fair

Empress Eugénie

by B. A. YOUNG

When the Empress Eugénie was 93, she travelled by public transport, alone, to the Château de Compiègne. Once she had lived there, wife of the Emperor Napoleon III of France and possessor of a dozen Spanish titles of her own. Now she joined the line of tourists, paid her admission fee and began to follow the guide with the others. In her old bedroom, she made an excuse and set alone, recalling more prosperous days. This is where we see her.

The long solo by Margaret Rawlings is a remarkable feat simply as an achievement of memory by an actress who makes no secret of her age, which is 72. But it is much more than that. It is a truly lovely performance, full of sudden changes of mood, subtly varied pace, truthful assumptions of regal dignity alternating with quick darts of salty humour.

Jason Lindsey's words and Miss Rawlings's interpretation of them suggest that Eugénie was not as good as she was likeable. Her extravagance was astonishing. Why shouldn't the ladies of her court bring 10 to 15 trunks for a two-day visit? They set the fashion, herself in the lead. Of course it was wasteful to burn 300,000 candles a night at the Tuileries, but oh, what fun to see the chandeliers burst into light!

She seems always to have been playing a game, and no doubt this accounted for her responsibility (which she admits) for the tragedy of Maximilian and Charlotte in Mexico. Perhaps even by encouraging the regal panache around her husband she helped to push him into war with Prussia in 1870, though in this she admits nothing.

The second half of the evening deals mostly with the darker things in her life. She gives a breathtaking account of her escape from the mob-threatened Tuileries, through the Louvre, to take refuge with her dentist. She tells with great pathos of the death of her husband and her son. Yet she is always the same vigorous lady who remembered with equal excitement the opening of the Suez Canal and climbing Vesuvius at the age of 80 and making her first aeroplane flight on her 85th birthday.

This most enjoyable performance plays only until Saturday. In June Miss Rawlings will give two performances at Farnborough Hill, Eugénie's last home. The director is Marianne MacNaghten, and a delightful introduction, with all the Spanish titles in it, is given by Vernon Dobtcheff.

Nottingham University

Dvorak's Dimitrij

by NICHOLAS KENYON

Last week Nottingham University presented the British premiere of Dvorak's sixth opera, *Dimitrij*. It was a massive undertaking ("God is not dead," said one of the graffiti in the University phone booth I used before Saturday's performance, "he just abandons us during the opera"), but any suspicion that the Opera Group had over-reached themselves was soon dispelled by a splendidly confident and enthusiastic exposition of what turns out to be a very fine opera indeed.

Dimitrij was written in 1881-82 to a libretto by the Czech writer Marie Cervinkova-Riegrova. Under the influence of pro-Russian feeling following the liberation of the Balkans from Turkish rule in 1877, she drew together from the writings of the Czech dramatist Mikovec, from Schiller's fragment *Demetrius* and from Russian historical sources the tempestuous story of the Czarist succession after the death of Boris Godunov. The claims of Boris' children Xenia and Fyodor (pressed by Shuisky, chief minister of the old regime) are ignored in favour of those of Dimitrij, who claims to be the son of Ivan the Terrible. Dimitrij becomes Czar with his Polish wife Marina but, encountering the persecuted Xenia in the vaults of Uspensky Cathedral, he falls in love with her and protects her. At Xenia's insistence he revokes the death sentence on Shuisky, alerting Marina to his love for Xenia. Marina's only defence to this abandonment is to reveal that Dimitrij is not the son of Ivan, but a simple peasant.

The resolution of this situation provided Dvorak with many difficulties. In his original version (which Nottingham wanted to revive, but could not because the end of the first full score is inaccessible) Xenia is killed by hired assassins. Hanslick, who reviewed the premiere on October 8, 1882, objected strongly to this motiveless slaughter; Dvorak persuaded his librettist to rework the last act so that Xenia is torn between loyalty to her family and love for Dimitrij, and resolves to enter a nunnery. Marina then denounces Dimitrij, and in the violent final scene Shuisky kills the impostor. This was the version seen in Prague on November 28, 1885, and substantially was that presented in Nottingham. Later revisions of 1894 and 1906, which gave the opera a supposedly more Wagnerian feel by eliminating word-repetitions and set-piece numbers, were fortunately ignored in this performance.

Dvorak seized to the full the opportunities for grandiose spectacle provided by the story. The first act is a real snorter, with rival claims fought out in the Kremlin Square with massive double choruses and impassioned recitatives. There are some highly dramatic scenes: *in the Cathedral vaults*, when Shuisky's men are conspiring against the Czar, the voice of Dimitrij (who *is* concealed there) booms out, ghost-like; in the last act Marfa, Ivan the Terrible's widow, is unable to swear on the cross that Dimitrij is her son; and in the third act, Dimitrij and his wife have a fine duet of constantly fluctuating mistrust and dying love.

An effective sub-plot is provided by the conflict between Marina's Polish entourage and the Russian court, led by the Patriarch, which erupts in the second act as nationalistic musical taunts are thrown in the form of a rival mazurka and polonaise. One curious feature of Dvorak's writing throughout is his enthusiasm for dance-rhythms and other bouncing ostinatos even when they are quite inappropriate to the narrative. The orchestral writing is characteristically excellent: plenty of atmospheric scoring for wind instruments in the treble register, several superbly managed transitions from scene to scene, and a distinctively slavonic feel to the idiom which never becomes clichéd or cloying. The use of character-motifs, while not over-rigorous or especially subtle, provides the score with a binding force.

What then limits the piece in the end? It may seem a foolish thing to say of the composer of the "New World" or the Cello Concerto, but Dvorak's gift for memorable melody is restricted: the most lyrical sections of the opera (the music for Xenia and Dimitrij) are beautiful, coloured with harmonic shifts and changing orchestral timbres, but the vocal melodies simply do not lodge themselves in the mind. Only in this, and in the uncertainty of its final dramatic direction, does *Dimitrij* fall short of greatness.

By the end of Nottingham's run of performances on Saturday, it was clear that the strain of Dimitrij's huge part was beginning to tell on Graeme Matheson-Bruce, though he still dominated the stage with a fine range and fierce projection whose occasionally forced passion seemed entirely in character. Elizabeth Brice made a touching, willowy Xenia, slow to react to the revelation of her lover's identity, but clear and intense in her anguished music. Helen Lawrence as Marina acted better than either of these, and added a nobly rounded voice which failed only to make audible John Tyrrell's new translation. Christopher Blades was an outstanding Shuisky, distinct and well-focused.

On the tiny stage of Nottingham's Great Hall, Pamela Marre designed a mini-St. Petersburg steps for the opening scene and a fine heraldic drop curtain which rose outwards over the pit and audience. Producer Michael Rennison did his best with the cramped conditions, though his chorus was understandably more involved with its demanding singing than in moving convincingly. Russell Keable secured some really idiomatic playing from his large orchestra: tuning was rough, but ensemble was good, and the spirit of the piece was well captured. Now perhaps, a Mackerras recording — or a production at Edinburgh, alongside Mussorgsky's *Boris*?

Elizabeth Hall

Redcliffe Ensemble

by DAVID MURRAY

Even by Redcliffe standards, the Monday concert was an extremely mixed bag: an hour's worth of recent clarinet music by Stockhausen, motets by Tallis and Taverner, and voice-and-instrument pieces by Robert Saxton and David Bedford. The Bedford was a pretty, somewhat aimless sketch — already 14 years old — for a half-dozen singers and a concealed ensemble, performed under Edwin Roxburgh's direction with almost as much conviction as the Renaissance pieces.

Saxton's *What Does the Song Hope For?* was well received in Holland in 1975, but has had to wait for a London hearing. It is a cantata on two Auden poems, for soprano, septet and (to the final pages) a tape on which the first poem is spoken by four overlapping voices. The soprano line is delicate and decorative—Karen Jensen negotiated it gracefully — and the supporting music is a skein of closely synchronised strands, from which solo phrases stand out momentarily before being lost to view. A softly chiming piano provides a kind of frame for these elusive, skittery goings on. It is all fastidiously worked, and held discreetly on a firm leash.

For his *Musik im Bauch* of a few years ago, Stockhausen had a dozen music boxes specially constructed to play the tunes he had written for every Zodiac sign. *Tierkreis* ("Zodiac") is simply those tunes on their own: the composer has by now arranged them for several combinations, and this time Alan Hacker delivered them all on clarinet, charmingly, with organ (Peter Seymour). They are hardly concert music, but most of them have pungently tantalising individual flavours. I suspect they make their best effect still on the original music boxes. As for *Amour*, which proved to consist of five *domestic doodles, gifts* for friends, it allowed us to hear Mr. Hacker at very considerable length—but surely Stockhausen treats the chips from his workbench with exaggerated reverence.

Rubens painting 'in focus'

The last in the present series of National Gallery "Painting in Focus" exhibitions, in which one major Gallery painting becomes the centre of a related display, opens in the special exhibition room on February 21. It continues until April 29.

The picture in focus is *Peace and War* by the 17th-century Flemish painter, Sir Peter Paul Rubens (1577-1640), and is in oil on canvas measuring 203.5 by 298 cms. It was presented to the Gallery in 1828 by the Duke of Sutherland.

Festival Hall

The Concertgebouw

by MAX LOPPERT

Bernard Haitink and the Concertgebouw Orchestra gave on Monday the first concert of their British tour. When allowance has been made for the extra effort *that tends to be subscribed* on such occasions, the concert must still be hailed as an evening of music-making of a kind rarely encountered on the South Bank. The playing of the Amsterdam orchestra was not just clear and balanced at every level, with a deep glow to the strings (the viola section makes a wonderfully full, "central" sound) and a rounded but never featureless blend of brass and wind. It had personality in every note, of a kind that comes about when the rapport between players and conductor is of longstanding, and when the conditions in which they normally make music together are not subject to the pressures, physical and *commercial*, which so undermine London orchestral life.

The first concert was of Bizet, Debussy, and Beethoven, a programme mixed so as to represent some of the conductor's particular musical sympathies. (The second, on Friday, couples Haydn and Mahler.) The Bizet Symphony in C was played with a remarkable evenness of flow. It was a reading to emphasise the sheerly musical strengths of the piece, not just its youthful vitality. For myself, I like a more enthusiastic characterisation of the Mediterranean colour in the music, of its gaiety and sunburnt lucidity. But the singing eloquence of the oboe solo in the Adagio was a reminder that Bizet's youthful gifts included depth of feeling as well as trenchant wit of utterance.

Jeux was given in the same steady way. The movement between its myriad little cells of invention was as unobtrusively well graded as a master symphonic conductor can make them. Here, though, the orchestral colour was always apposite as well as beautiful—in Debussy, a suggestion of veils and *mists* of tone, of substance underlying the finely inflected surface, is of inestimable benefit. Beethoven's A major Symphony, after the interval, may have been considered the home ground of an orchestra with so long and noble a symphonic tradition. Yet the performance, grounded and built with craggy power and strength, was no abstract monument, but a fiery dramatic expression; for everything was directed with undeterred urgency towards the final Allegro, which the conductor reveals as both a Dionysiac dance and the cope-stone of the whole structure.

Comedy opening

Comedy-actor, Leslie Randall's first stage play, a comedy called *40 Love* will open at the Comedy Theatre on Wednesday February 21. Bernard Cribbins, Joyce Blair, Norman Rossington and Stella Tanner are the cast, and Val May is the director.

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Turkey needs the money

IT HAS TAKEN a long time for the West to wake up to the enormity of Turkey's debts. All last year's appeals for support by the Turkish Prime Minister, Mr. Bulent Ecevit, proved so many knocks on the door of the deaf. Until, that is, Real Politik intervened and simpdistic application of the domino theory led NATO to fear that, after Afghanistan and Iran, Turkey would next come under threat.

It was this fear which led to the question of "politically motivated aid" being discussed at Guadeloupe: adding extra urgency to the whole question was the Christmas week-end's rioting in South Eastern Turkey which cost 100 lives and caused the Government to introduce martial law in 13 of the

Inescapable

In the month since then an American envoy has visited Ankara, representatives of the four have met in Bonn, and the OECD has been brought into the act. The inescapable fact they have had to face is that if Turkey is not to grind into economic collapse and political chaos it will need between $5bn and $15bn of fresh aid in the next five years—all of which will have to be in addition to the debt restructuring now takin gplace.

This restructuring is already a massive one. It involves debts of over $6bn and is thus the largest restructuring ever to have been seen. It has been a difficult and extremely complicated task. The mismanagement of the economy in the years before Mr. Ecevit took over at the end of 1977 meant that even now precise details of some debts have still to be collected. His own administration has moved slowly, negotiating every last part of each deal.

But slowly progress has been made. The $1.46 of arrears on imports guaranteed by OECD goveroments has been largely renegotiated with the individual countries concerned. The mechanics involved in refinancing $2.4bn of the short-term convertible lire deposits are nearly complete, with bankers believing the process could be tied up in about two months. Arrangements have been made for a further $0.5bn of Turkish Central Bank debt. The next large category of arrears—$1.4bn owed on some 93,000 separate uninsured shipments to Turkey—is now being handled.

But as the smoke clears from this battle, the banks are becoming only too aware that the war continues. The seven banks coordinating efforts have promised Turkey fresh money of $$ up to $500m." In the event they are being hard put to place a $400m loan. Further, negotiations with the International Monetary Fund over the third tranche of the $450m loan agreed last April have been "suspended" amidst mutual recriminations.

The IMF is now seekiog a further Turkish devaluation, a reduction in the budget deficit and the raising of taxes. It is in fact applying its classical rule book, but in an economy already singularly ill placed to take IMF austerity: unemployment is well over 20 per cent, inflation around 60 per cent and industry working at less than half capacity.

Economically and politically, Mr. Ecevit is already in the corner. "Not just a pound of flesh but his last drop of blood too," is how one banker describes the IMF's demands in the present Turkish context. He is, in other words, in the same situation that Portugal, Egypt and Peru, to name but three, have been, and he fears the fate of Mario Soares. But the fact is that no attractive alternative to Mr. Ecevit exists. The spendthrift policies of his predecessor, Mr. Suleyman Demirel are largely responsible for the jotensity of the present crisis.

Debt servicing

Part of the restructuring of arrears is to three-year money and most to six- and seven-year money. Should all go well Turkey's will have to pay nearly half of its annual earnings from exports to service its debt—and already, almost all its export earnings have to go to pay its petroleum bill.

Compounding the concern necessary for the future is that the most optimistic assumptions Turkey needs $1bn per year to finance continuing its growth at rates which until the recent crisis averaged 7 per cent per year. On more realistic assumptions it may need $3bn annually. Growth, to other words, will have to come down sharply—adding to the social strains at home.

Deals have to be kept

THE DECISIVE vote in favour of a new parity pay agreement which emerged from the secret hallot of BL Cars' manual workforce in December was hailed as a notable step forward in the reform of the company's chaotic pay structure. The agreement offered the employees a basic increase of 5 per cent backdated to November, the improved shift and overtime allowances which had been negotiated nationally by the Engineering Employers' Federation from the beginning of this month, and a staggered programme of parity payments which would establish the same rate for the same job in all the company's plants by next November

Conditional

Throughout the negotiations the company insisted that the improved allowances and the moves towards parity were conditional upon the attainment of improved productivity and a 7,000 reduction in the workforce by voluntary redundancy. If these were not forthcoming, the extra payments would not ba made: they were intended to be self-financing. It was on this basis that the Government justified its approval of the BL pay agreement while it was still applying sanctions against Ford and other companies which had hroken through the pay guidelines.

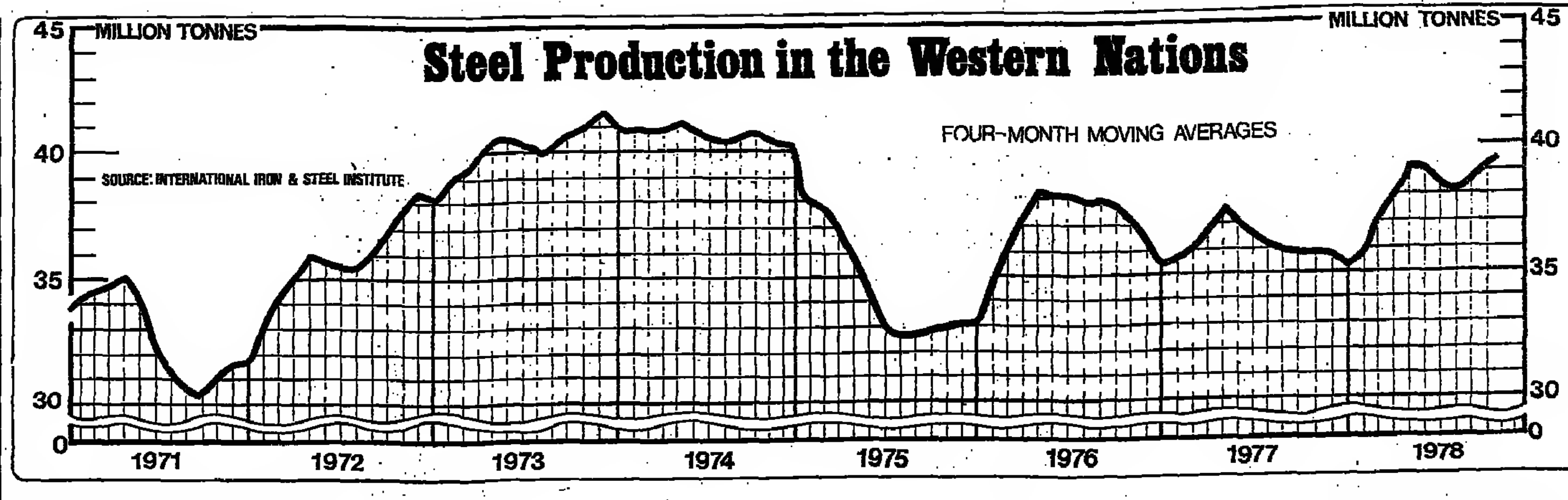
A week ago the company announced that productivity had not been good enough to warrant a parity increase tbla month, the first of the three possible dates in the parity programme. The lorry drivers' strike may have contributed to the poor performance of the last few weeks, hut productivity had fallen a long way abart of the desired level in November and December, partly because of an unofficial strike in one of the company's own compooent plants.

The local union leaders now say that they were not given details of the output performance required by the company. An average output per man at an anual rate of 6.16 cars for the first stage of the parity programme, as against the 5.77 cars achieved in 1977, cannot however be regarded as very demanding. It is very low by international standards: and it had been achieved by BL Cars in the past during periods when production had not heen interrupted by unofficial action. In any case, the basic point is that productivity has not risen anything like enough to enable the company to finance increases in pay. Output a head so far has averaged only 4.7 cars and in the beat month—December—it was only 5.2 cars.

When productivity hargains are made, they should he kept. Mr. Michael Edwardes, the chairman of BL had already warned the company's employees in October that unless performance improved he would not feel justified in drawing in May the next £300m tranche of finance made available by the Government. Mr. Edwardea had shown, in the closure of the plant at Speke and in the cancellation of investment at Bathgate, that he does not make idle threats: he is prepared to take drastic action when the circumstances require it. He and his senior managers have a clear idea of what needs to be done if BL is to survive in anything like its present form. One of the essential first steps is improved productivity and greater continuity of production.

Perilous

The results of yesterday's meetings show that not all of the workforce are prepared to follow their shop stewards' call for a strike. Not only are the sums involved in the loss of parity payments marginal in comparison with the loss of pay during a strike. A strike would also pose a very real threat to their future employment. The circumstances may be exceptional hecause of the company's perilous financial situatioo. But the need for increased productivity, the need to insist upon productivity agreements being kept, and the need to make such agreements self-financing are highly relevant to the condition the whole country now finds itself in.



World steel edging out of recession

BY ROY HODSON

The year of the salesman

ANXIOUS to find something positive to say about 1979 prospects, steelmakers are already dubbing it "the year of the salesman."

In many countries the levels of iron and steel production, the loading of major plants, and the prospects for employment in the industry, will depend upon how much they can export. The marginal business that can be picked up by aggressive selling in international markets—added to traditional export business—will represent the difference between profit and loss to a number of steel companies in the West. It is not a situation that the big steelmakers like. But they accept that they must learn to live with it.

A world-wide view of the iron and steel industry does not give a picture of an industry in recession. On the contrary, world steel production in 1978 stood at some 712m tonnes and was both an all-time record and an improvement of more than 6 per cent upon the previous year.

But there are glaring disparities in the way the bigger cake is being shared. The member nations of the European Economic Community collectively achieved a 5 per cent improvement in steel production during last year. However, the 132m tonnes of steel made in the Nine was still 15 per cent below the production levels enjoyed in Europe pre-1974.

And in Britain steel production in 1978 was actually 0.5 per cent below the 1977 figure. The state-owned British Steel Corporation experienced a fall in production of some 3 per cent to 16.7m tonnes for the year. It was the smallest quantity of steel made by the corporation in any year since the greater part of the British steel industry was nationalised ten years ago.

The private sector companies in British steelmaking increased production slightly during the year to 3.6m tonnes. But, overall, Britain lost ground in the world steel-making league, even faster than the remainder of the Community.

In the U.S. steelmakers fared better. Helped by a relatively insulated home market, and stronger protection against steel imports during a period of rising domestic demand, they managed to raise their prices, abolish their discounts, bring nearly all sectors of the industry comfortably back into profit, and increase steel production during 1978 by nearly 10 per cent to nearly 124m tonnes.

Japan has a steel industry which, on paper, has more capacity available than the industries of either Europe or the U.S. But the Japanese took a policy decision when the demand for steel nose-dived after 1974 that they would take large quantities of their equipment out of commission, temporarily or permanently, and so avoid being over-dependent upon exports.

Thus Japanese steel production was held almost static during 1978 at 102m tonnes. The country's group of powerful steelmakers led by Nippon Steel, the biggest steel company in the non-Communist world, voluntarily restrained the levels of exports to Europe and the United States.

In the Comecon countries steel production in 1978 showed steady growth, according to estimates made by the International Iron and Steel Institute, and probably rose by something under 4 per cent to 212m tonnes.

Output in China is estimated to have recovered strongly, after set-backs in recent years, to a record level of 31m tonnes.

One has to turn to the developing countries, however, to find examples of really outstanding growth in iron and steelmaking during the past 12 months and good prospects for the future.

In Latin America, Asia, Africa and the Middle East, new and expanded works were catering for growing domestic markets and exporting strongly last year. On average the steel industries of the developing nations expanded production by more than 10 per cent. They will do as well, if not better, this year. And it can be confidently predicted that, by the end of 1979, they will be producing at a rate of more than 50m tonnes a year.

Among the biggest producers is Brazil, already achieving more than 12m tonnes a year output and with plans to expand steelmaking to more than 30m tonnes a year by the late 1980s; India with production now running at nearly 10m tonnes a year, after having achieved a 30 per cent increase in four years; and Mexico with nearly 7m tonnes production and new works being built or planned to raise that to 18m tonnes a year.

This year the steel producers have an opportunity to break free from the traumas that have beset them since the mid-1970s, and to prepare their strategies for the 1980s.

The probable future consumption of steel is at the heart of the matter. As an industrial material it is still riding high. Inroads from other materials such as aluminium and plastics may be encouraging their manufacturers. But so far they are gadflies attacking the basic business held by iron and steel.

After the world record steel consumption of 712m tonnes last year, the steelmakers can look forward to a further increase in world demand during 1979 of more than 20m tonnes. That will be equal to the total annual output of the British steel industry.

Who will cream off the additional business? The picture for 1979 is beginning to look like this. European steelmakers do not expect more than marginal growth in consumption in their home markets. The accompanying table of 1979 European consumption forecasts shows that the entire EEC market plus Spain and Sweden—the other big west European steel-users—are not likely to use more than an extra 3m-5m tonnes of steel this year. Therefore, hopes of substantially brisker activity by European steel mills must be based upon additional sales outside Europe. The salesmen will hava to be both aggressive and persuasive.

The U.S. companies are not much interested in export business. They are far more concerned with protecting their 124m tonnes home market from incursions from the rest of the world.

But the Japanese companies are beginning to chafe against their self-imposed export restraints, and with reason. They led the movement during 1978 for world-wide moderation in steel marketing only to see a number of European and developing world producers make short-term gains.

Japanese steel producers have indicated they will be re-entering world steel markets this year. If they came back in their old, aggressive style it would be a serious threat to all other producers. Japan's production capacity is immense. But so far the signs are that their new export drive will be carefully managed and limited in extent. It will not encompass aspirations to employ, once again, the total Japanese steelmaking capacity.

As for the 1980s the most potent factors in everyone's calculations are the dynamic growth of steelmaking in the developing nations, and the incalculable impact of China. Already Chinese steel production is more than 30m tonnes a year—all of which is being used in the home market. But China is contemplating increasing output by another 30m tonnes during the next decade. How much of that steel will find its way onto world markets?

The extent of the contrihution likely to be made to the world steelmaking scene by the developing nations during the next ten years is assessed in new forecasts prepared by the United Nations Industrial Development Organisation (UNIDO).

The United Nations body foresees the developing nations seizing a market share in world iron and steelmaking by the late 1980s at least equal to the shares now held by the Europeans, the Americans, and the Japanese.

In short, a new force in world steelmaking is being created very rapidly. It is, of course, being helped into being by the eager involvement of the Europeans, Americans, and Japanese in the building of new steelworks and ore recovery plants in the developing nations and in China.

A United Nations report sees the technical capacity of the iron and steel industries of the industrialised countries as their "trump" card and comments:

"It is this card that the American, European, and particularly the Jajanese companies, must play to their hest by offering package deals which include feasibility studies, licensing agreements, technical supervision, tachnical assistance etc. for the construction and commissioning of new iron and ateel units."

Maanwhile, the growth of iron and steelmaking in the developing countries is likely to continue at between 10 per cent and 20 per cent a year on average during the next decade.

The export-minded European and Japanese steelmakers will find it hard to reconcile the growing output of those nations with their own aspirations to sell surplus iron and steel production to the same countries.

UNIDO sums up the dilemma in a progress report: "The shift in the pressure for the development of the steel industries in the different parts of the world presents the developing countries with an exceptional opportunity. They are able to pursue their own development schemes, provided they are sound, with technical assistance and deliveries of equipment more readily available from developed countries than at any time during the past ten years. The developing countries will thus be able (1) to make rapid progress with their steel industries. (2) to reduce their dependence on imports and improve their balance of payments, and (3) to create a sound basis for their engineering industries and further industrialisation."

The opportunities afforded in world steelmaking for the developing countries in the next ten years can equally be read as the problems facing the traditional world steelmakers.

Attempts will be made this year to reconcile the differing interests of the new steelmakers and the old.

But little can be dono in the long run to preserve the world markets of Europe, the U.S., and Japan against the new producers. Mr. Tony Solomon, United States Treasury Under-Secretary, recently admitted this. He said that the products of the new steelmakers should be allowed into the U.S. as long as they were on fair terms.

The OECD steel committee under its chairman, Mr. Alan Wolff, the U.S. deputy special trade representative, faces the enormons task in the coming months of drawing up the guidelines for restructuring iron and steelmaking and marketing on a truly international scale to help the world industry move with renewed confidence into the 1980s.

WORLD STEEL CONSUMPTION
(m tonnes)

	1978*	1979†	% change
U.S.A. ...	144	143	− 0.7
Japan ...	67	68	+ 1.5
EEC	108	110	+ 1.9
Comecon	213	220	+ 3.3
China & N. Korea	37	41	+10.8
Other ...	146	153	+ 4.8
Total ...	715	735	+ 2.8

* Estimate. † Forecast.

Source: International Iron & Steel Inst.

1979 EUROPEAN CONSUMPTION FORECASTS

Britain: Probably little or no change upon the 1978 figure of 21m tonnes.
France: Possibility of a small increase in consumption from 20.8m tonnes in 1978 to 21.1m tonnes.
West Germany: Economic recovery is expected to be modest but enough to add about 1m tonnes to the 1978 steel consumption figure of 35m tonnes.
Italy: Government measures are expected to revive the economy sufficiently to produce a demand for 21m tonnes of steel—a 1m tonnes improvement upon 1978.
Holland: *A small decline in steel consumption* to 4.5m tonnes compared with 4.6m tonnes in 1978 is forecast.
Belgium-Luxembourg: Steel consumption is expected to be static at around 4m tonnes.
Denmark: *A small steel user,* Denmark is expected to raise consumption marginally to 1.6m tonnes in 1979.
Spain: Because of tough economic policies, consumption is expected to be static at about 9.5m tonnes.
Sweden: Industrial recovery is forecast *sufficient to raise steel consumption* from 3.9m tonnes (1978) to 4.3m tonnes in 1979.
Based upon industry forecasts.

MEN AND MATTERS

Iranian labours of Hercules

"Ladies and gentlemen, welcome aboard this Hercules 436 Arctic Rescue Squadron from Trenton, Ontario. It's a little short on luxury but the price is right." This unlikely greeting is becoming familiar to expatriates fleeing Iran. The Canadian Air Force Hercules—a little like a flying boiler room with a makeshift latrine at one end—is not the ideal form of transport, but it is the cheapest.

It is also the best when compared with the alternative of facing a main terminal jammed with fellow-expatriates and xenophobic troops, and bribing one's way onto one of the few commercial flights still prepared to risk landing in Teheran.

The Western expatriate population, which numbered 100,000 in Iran before the present turmoil, is now down to 6,000, of whom 3,000 are American and 1,500 British. With 75 per cent of industry at a standstill, the oilfields silent, and more trouble brewing, that number is likely to drop to almost nothing.

Yesterday's batch of evacuees included employees of the Bell helicopter company, part of whose major contracts with the armed forces has been cancelled and the prospect for other foreigners looks similarly bleak. Even if they are allowed hack in the same numbers, which looks unlikely, the good life they enjoyed under the shah will perhaps he no more than memories.

Action postponed

Some followers of the Kagan fortunes may bave found the subject of unemployment and health a fascinating substitute for the well-publicised interview with the runaway raincoat manufacturer, due to have been screened on Monday night. Others may have been disappointed, and a little puzzled.

But a senior executive of Granada Television assures me that the decision not to show the interview with Kagan was "purely editorial." Moreover, he says, "in no way whatsoever have we been subjected to any pressure from untoward outside influences."

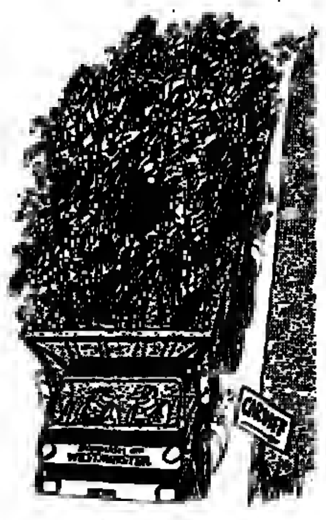
It is, however, admitted that editing the film proved trickier than was thought, since the Kagan affair is a legal minefield. Granada proposes to hold back the interview, shot in Tel Aviv, until next week. Meanwhile, all the World in Action team will reveal is that Kagan, 63, offers "a number of different answers" to the question of whether he will return to face charges of tax and currency offences.

Untangled snake

With a sure instinct for what interests the man on the Berlin omnibus, the East German government has taken the daunting step of explaining the European Monetary System to its citizens. The Marxist version is presented through th usual ploy of a letter to the editor of the *Berliner Zeitung*, composed by a thoroughly briefed citizen purporting to be troubled by the Snake. Albert Hoffmann asks what is the logic of "the evr more hectic currency negotiations by the West European industrial states."

The answer, as presented by an East German economist, gets straight to the point without clouding the issue with snakes and such-like. The West Germans, he explains, are trying to dominate Western Europe in order to compete with the U.S. and Japan: "One way to achieve this is through stable currency rates. . . ."

Taking the bus passenger patiently by the elbow, the economist gives an example. "Let's assume," he writes, "a West German company delivers goods worth DM 1m to France and gets 2m francs for it. These are exchanged in the federal republic into DM. Let's further assume the French importer has two weeks to pay. If the exchang rate changes 5 per cent in favour of the DM, then 2.10 francs are needad to buy DM 1. The company doesn't get DM 1m, only DM 952,380." Did Helmut Schmidt and Giscard d'Estaing know this when they agreed on the EMS?



"Get ready Bert, we're in Callaghan conntry!"

Audley's prize

Bernard Audley is a prodigal son of the smartest type: he brings his own fatted calf home with him. Last year AGB, the research - publishing - computers group that he has pushed into the top ten of all the profitability tables, took over Hultons—where Audley was once assistant general manager—and now has spent £850,000 buying out Bedford Attwood, another ex-Audley employer.

The latest acquisition is particularly piquant. Audley, along with fellow directors, Dick Gapper and Douglas Brown (hence AGB) walked out on Attwood after failing to convince him that he should share control of the research company with them. Sticking together they formed their own research firm. Six years later, in 1968, they had their first sweet revenge by taking the key TV audience research project away from Attwood.

On the basis of this, Audley and Brown (Gapper sadly died in harness) have steered AGB into the only publicly quoted research company, and the most profitable: turnover in this financial year should top £20m, and profits are likely to he above £2m.

For many years Audley and Attwood did not speak—just competed furiously for research contracts. Now Attwood has topped 70 and wants more time to devote to his passion for inventions. There was an American bidder in the market for his company, but in the end it was the Audley offer that won. There is not too much of Attwood's British operation left now, but its Dutch business is thriving, giving AGB sought-after expansion there.

Audley is now 54; he aims to develop AGB as a publisher, a research company, and an information and marketing services supplier. A £50m turnover in two years time is his target. A ceaseless conversationalist, with a disconcerting tendency to lapse into German for the right word, Audley has roared through the business world at an accelerating pace: but then, the only time he keeps still is when his Ferrari is stalled in a traffic jam.

Pedal power

With the Kampala air full of rumours and gunfire, there is intense speculation on the Gulf about an advertisement which appeared in two Saudi newspapers last week. Placed curiously hy Uganda Motors, it invites tenders for 5,000 black-enamelled men's bicycles. There are 15 specifications, including the size of saddle and a 3 in bell, suggesting a military mind at work. The Tanzanians should look out for surprise tactics on the border.

Observer

هكذا من الأصل

The Soviet motor industry branches out

By KENNETH GOODING, Motor Industry Correspondent

RIDING AROUND Moscow in a Chaika car can be an invigorating experience. The car looks like something from a gangster movie of the 1950s. Fairly VIPs, like a gaggle of visiting journalists, may ride in a procession of Chaikas which, following the local custom, ignore red lights and people on pedestrian crossings, but attract salutes from every policeman.

There are not many other cities of nearly 8m inhabitants where it would be safe to crash red lights without taking the precaution of sending a police escort on ahead with a blaring siren.

But there are only about 11.4m motor vehicles on the roads in the Soviet Union, roughly 5.6m cars and 5.7m trucks and buses. That is around one car for every 45 people compared with one car for five people in Western Europe.

The Chaika cannot be bought by private individuals. It is a vehicle for VIPs and near-VIPs and only outranked by the ZIL, a car reserved exclusively for top Communist Party officials.

The one in which I rode was designed in 1959, leaned heavily on the huge American shapes of that era and yet has only last year been replaced by a new model, something that looks like a Lincoln Continental from the outside and a Mercedes on the inside. The concept of the annual facelift for cars has not caught on in Russia.

Cars cost a great deal there. A small family saloon works out at 5,600 roubles, well over twice the annual salary of the average Muscovite, which is around 2,200 roubles. The customer waits a long time for delivery, about a year at present. He is expected to pay the full price when he puts in his order.

Second-hand car sales are handled through a central agency. It is supposed to cut out the profiteering which would normally occur when supply is so far behind demand. The purchaser of a new car must keep it for at least a year. He may not charge more than it cost him when he decides to sell. Break the rules and get caught and you can never own a car again.

The immediate reaction of the westerner when comparing the cost of a car in the Soviet Union with the average monthly salary of around 170 roubles is to ask how anyone can afford such a luxury. The answer is that the Soviet families often have quite a chunk of disposable income and nothing much to spend it on. Besides, people often do a spell working in Siberia at premium wages to save up for a car.

The Soviet authorities gave in to consumer pressure for more cars in the late 1960s in typical style by starting on an enormous new car plant on what was virtually a green field site on the banks of the Volga about 650 miles east of Moscow. The plant and the town of 150,000 people which has been built around it, is named after the Italian Communist Party leader, Togliatti, a gesture towards the Fiat technology and know-how which made the project possible.

The Russians spent 1m roubles a day over the three years when the plant, which makes nearly every component it requires, was being developed, giving it a realistic value—because the exchange rate is artificial—of perhaps $2bn. The first car rolled off the production line in 1970 and 22,000 were assembled that year. By 1974 the facilities were finished and output had reached the nominal capacity of 660,000. This year the total will reach 708,000 cars. Most of them are variations of the Lada, a car based on the old Fiat 124.

To put it into perspective, the Togliatti output compares with the Soviet motor industry's total output of around 1.28m cars.

The four-wheel-drive Lada Niva—690 are due in the UK this year.

The biggest of the other plants is near Moscow. It makes around 200,000 Moskvich cars a year — rugged vehicles for out-of-town use. There is an associated plant at the town of Izhevsk which makes a fast-back version of the Moskvich called the IZH. It has an annual capacity of 120,000.

The plant in the Ukraine which makes Russia's version of a mini-car, the Zaporozhets, also has a capacity of 120,000 a year. At Gorki there is a factory turning out around 80,000 cars a year. Most of them look rather like the larger models in the Vauxhall range. They are called the Volga and are used as taxis. It is at Gorki that the Chaika is also made. It is said that about 16 of the hand-made Zils are produced at what is primarily a truck factory.

The Soviet Government seems to have decided that for the time being the industry is big enough. Should it decide otherwise, Togliatti could be expanded substantially at relatively low cost by adding another assembly line. Discussions have taken place with Fiat about such a scheme.

But making another 300,000 cars at Togliatti, taking its output to over 1m a year, would require more raw materials which the Government has decided should be used elsewhere. Expansion of Togliatti, according to Mr. Anatoli Zhitkov, director-general of the organisation responsible for the plant, has been shelved at least until the end of the next five-year plan which begins in 1981.

Instead some of the raw materials will flow towards the Kama River where at Naberezhnyje Chelney, a town near the geographical centre of the Soviet Union, there is another massive motor industry development.

Daimler-Benz (Mercedes) and Fiat technology has been used at the enormous Kama works which consists of an amalgamation of seven different plants and is supposed to be capable of producing 150,000 trucks a year to be called Kamaz.

An American involved in the planning of the truck plant recalls that the 150,000-a-year was not a theoretical capacity but that the factory was designed to produce at that pace. It will also make 220,000 diesel engines a year—comparable with Ford's worldwide output in 1976.

According to Mr. Igor Kouharev, vice president of Avtoexport the organisation which will be responsible for export sales of the Kamaz, production will reach 5,000 this year and will build up to the 150,000 trucks and 220,000 diesel engines by 1982.

The Soviet Union has very few service stations at present but those that do exist are usually very large indeed. One estimate is that there are only 350 to serve the whole of the heavily-populated western region of the country. There are only 16 to service Moscow's 1m cars. Motorists are encouraged to do-it-themselves and Russian cars are designed with this in mind. The Lada comes with a 21-piece tool kit in the boot.

A revamped range of Ladas will appear next year on the home market. The indications are that they will have the same body shell as the existing range but incorporate certain mechanical refinements, a more comfortable interior and modified versions of the current engine, perhaps including a two-litre version.

Togliatti's designers have developed a four-wheel-drive, on-off road vehicle which looks like a small Land-Rover and is called the Niva. Production has started. It is intended to export perhaps 600 to Britain in 1979, all left-hand-drive models.

The Togliatti design team has been stretched because Russia's new mini car was also developed at the plant. This vehicle, which should be on Russian roads by 1981, will be made at the Zaporozhets plant. It will be a front-wheel-drive, transverse-engine, three-door hatchback which looks remarkably like the Ford Fiesta according to those who have caught sight of pre-production models.

The Soviet Union is also in a hurry to get a new family-sized saloon into production as quickly as possible. For that project it has turned once again to the West.

According to Mr. Kouharev, of Autoexport, the idea originated with Citroen of France three years ago when it was in financial trouble and before it was merged with Peugeot. The concept is that the same car should be built both in the Soviet Union and in the West.

Ford, General Motors, which makes Opel cars in West Germany and Vauxhall vehicles in the UK, and Renault have all been involved in the more recent discussions with the Soviet industry. The Russians insist that they are seriously interested.

But there are no real signs of enthusiasm among western car makers even though, unlike Fiat, they would not face the prospect of having models similar to their own but at cut-prices competing in some markets.

The arrangement would involve the western manufacturer taking some Russian-built cars in payment for re-equipping the Moskvich plant near Moscow. About 30 per cent of a 200,000-a-year output would be exported, if the Russians achieve their current ambitions, and these could be absorbed in the sales networks of the western manufacturer concerned.

With an up-dated range of cars to offer, the Soviet industry would be protecting its export business. Around 30 per cent of its passenger car output is exported. Six out of 10 Russian cars exported go to other Eastern bloc countries to help pay for the off-road construction trucks (8,000 a year) and buses (10,000 annually) the Soviet Union buys from the Comecon area.

Hard currency

That leaves about 115,000 cars for export to the West, not a large number but a useful supplier of hard currency for the Soviet Union. Britain provides the biggest of the western export markets for the Soviet industry. It takes between 15,000 and 17,000 Soviet cars a year.

France takes between 10,000 and 12,000; Belgium between 9,000 and 11,000; West Germany between 10,000 and 12,000; Finland around 10,000, and Holland 6,000 to 8,000.

The franchise for sales in the UK and West Germany is held by Satra Motors, a subsidiary of the Satra Corporation, a U.S. group set up in the 1950s by Mr. Ara Oztemel who started by importing chrome ore from the Soviet Union. Satra has just signed its 1979 contract with Avto export to take up to 36,000 cars next year and hopes to sell 25,000 in Britain.

Satra also has the franchise for the U.S. and has six Ladas being tested by the authorities before marketing begins "in a modest way," mainly in the New England area. Satra reckons it can be selling 60,000 Ladas a year in its three franchised territories — the UK, the U.S., and West Germany — before long.

Mr. Carl Longley, Satra's man in Moscow for some years, says he believes the Soviet industry's plans for the future are ambitious — "including making model changes every year." The potential for the Soviet Union to become as big a car maker as the U.S., with its output of around 11m cars a year, is certainly there if the will to develop the motor industry existed.

The question Satra is most frequently asked is: Why do Lada cars cost so much more in the Soviet Union than they do in Western markets?

The answer is that pricing structures in the Soviet Union reflect the priority given to various products or simply the Soviet Government's need for more cash.

Mr. Longley denies any suggestion that Soviet cars are being "dumped" on Western markets. "We have done enough work on this to believe that the real cost of the cars is well below the price Satra has to pay for them. We fix our retail prices by reference to what the competition is doing.

"The cost of manufacture is much lower in the Soviet Union than anywhere in western Europe. And the rate of inflation is minimal, much lower than that in the UK for example. The difference is so great that it would be possible for us to undercut BL (British Leyland) by 20 per cent in just two years."

That is one reason why western car makers must be thankful that expansion of the Soviet motor industry — and the increase in exports that would accompany it—will probably not take place before the end of the 1980s.

Letters to the Editor

Russian policy

From Elizabeth Young

Sir,—Your East European correspondent, Anthony Robinson—"Russia warns West against joining anti-Soviet policy" (February 3) quotes Georgi Arbatov, of the United States-Canada Institute in Moscow, as complaining that "the Chinese are trying to involve the U.S. and the west in an anti-Soviet policy."

Mr. Arbatov might ask himself how this can have come about, when relations between the Soviet Union and the People's Republic of China started out so well. He might remember Soviet behaviour to China at the time of the offshore islands crisis—when the United States was threatening China with nuclear weapons, and the Soviet Union averted its eyes until the crisis was over; he might remember 1963, when the Soviet Union plumped for a (necessarily anti-Chinese) anti-proliferation policy alongside the U.S. in the partial test ban, rather than a serious disarmament policy which involved a complete test ban, alongside China; he might remember the Ussuri River episode in 1969, when through its radio station, Radio Peace and Progress, the Soviet Union was "reminding" the Chinese of the effects of one of their 60 megaton nuclear bombs; of the excursions of Viktor Louis, apparently seeking Western approval for a Soviet "surgical strike" against Chinese nuclear installations. . . . These appallingly foolish actions have now come home to roost: is Mr. Arbatov really surprised? The same kind of folly continues, with Soviet bullying calling up loathing and contempt wherever it is exercised—just as American bullying did in South East Asia and elsewhere.

The Soviet Union has taken almost every step to ensure that its neighbours will fear it and distrust it: thus calling up that very encirclement it has always feared.

Elizabeth Young.
00, Bayswater Road, W2.

Industrial strategy

From Professor D. Lees

Sir,—I note your report (February 5) with sadness, that two new areas—cotton textiles and printing—are to be given tripartite sector working parties to examine their problems."

What have they done to deserve such a dreadful fate?

(Professor) D. S. Lees.
University of Nottingham,
Department of Industrial Economics,
University Park, Nottingham.

Cross-Channel links

From Mr. N. Edwards

Sir,—Let us give full recognition to the real cause of major public concern when the Channel Tunnel proposals were previously resurrected, as this is now apparently forgotten. This problem is the effect of the resulting approach network on the environment, people's immediate surroundings, leisure places and housing. It is in this area that a bridge or a tunnel would lose out to the existing ferry crossings. These have the major advantage of enabling traffic to be spread out over a wider, already existing, approach network.

Well, let us use this knowledge if we are going to build a new crossing — don't do things by halves, build two. Space them well apart so as to spread the approach networks. One crossing for north-south traffic, the other for south-north. No doubt existing approaches will need to be somewhat improved, but the environmental impact will be drastically diminished simply by halving the traffic that would have resulted from a single crossing.

This proposal would seem to favour the tunnel concept and at first sight might suggest a doubling of costs. But further consideration of a scheme for combined road and rail tunnels would show that this will not be the case when the total concept is taken into consideration.

N. A. Edwards.
12, Turnpike Link, Croydon.

Who do you miss most?

From Mr. R. Nott

Sir, — Mrs. Ings writes (February 2) that if all the bankers, financiers and stockbrokers dropped dead, no one would miss them. Well, Mrs. Ings, you would for one, for there would be no invisible exports and so no imports of luxuries like wheat and tobacco. So black bread for breakfast, Mrs. Ings and no cigarettes for you.

Robert Nott.
Englefield Cottage,
Hurtmore, Godalming,
Surrey.

It makes you think

From Mr. D. Wills

Sir,—Mrs. Ings (February 2) casually writes off the bankers, financiers and stockbrokers in her letter published on Friday. She fails to appreciate however that if this calibre of man were doing the public service workers' jobs probably only a half of the present workforce would be needed. Yes, Mrs. Ings, it does make you think.

D. F. Wills.
17, Kingston House East,
Prince's Gate, SW7.

Cancelled weaponry

From the Co-ordinator, Campaign Against Arms Trade

Sir,—Recent events in Iran, culminating in the suspension and possible cancellation of all military contracts, illustrate the dangers of using the arms trade as a political and economic tool. Politically, there is the very real risk of highly sophisticated weapons falling into the hands of Governments quite different from those to whom they were originally sold. Economically, these suspensions — combined with the American cancellation of the advanced Harrier development — may cause severe repercussions.

We are urging the Government to give immediate support to research into possibilities for alternative production in companies affected by the suspensions, and to implement alternative production in companies where plans already exist, such as Lucas Aerospace and Vickers. There is a very real possibility that these suspensions and cancellations will be used as an excuse for a heightened sales drive, trying to find new markets around the world for British weaponry. Instead, they should provide an opportunity for creative and realistic alternative planning, both to avoid redundancies and to start a diversification programme for British military industries.

Sandy Merritt.
5, Caledonian Road,
Kings Cross, N1.

Protectionism is not the answer

From the Information Officer, World Development Movement

Sir,—We strongly support Mr. Robert Franck's conclusion (February 2) that protectionism is not the answer to the textile industry's troubles. As he points out, developing countries are proving more competitive in this field and we believe they have the right to specialise in those few areas in which they can be best at.

All the arguments about the impact of Third World imports on jobs here have been grossly overstated. The truth is—and a recent report prepared by the Foreign and Commonwealth Office is there to prove it—that competition from 23 newly industrialising countries, including Spain, Portugal, Yugoslavia, Greece, Turkey, Malta, Poland, Romania and Hungary, was responsible for only 2 per cent of the jobs lost in Britain between 1970 and 1977. An equal number of jobs was created in industries exporting to these countries.

The report also makes the point that Britain's main competitors are still Organisation for Economic Co-operation and Development countries. The newly industrialising countries have around a 10 per cent share of the UK's manufactured imports but the money quickly comes back in export orders. In 1975-77 over 30 per cent of the UK surplus trade in manufactures was with the newly industrialising countries. It is evident then, that trade in manufactures with the developing countries is favourable for employment here.

It is high time that we cease blaming developing countries for Britain's unemployment problems. Energies would be better spent doing more of what Britain is good at, namely, chemicals, engineering products, capital equipment and services.

Maria Elena Hurtado.
Bedford Chambers,
Covent Garden, WC2.

Wages not cause of inflation

From Mr. D. Wilkins

Sir,—Mr. Frank Blackaby (February 2) makes one despair of economists and particularly those of the National Institute. Their assertions and forecasts are regularly and depressingly proved wrong year after year and still they postulate.

Examine Mr. Blackaby's various assertions particularly the key one that "Current UK inflation is clearly a wage driven inflation." If he believes this he is seen to be a fellow traveller with our Prime Minister whose very existence depends on the proliferation of this fallacy.

The fact is that our current industrial troubles are caused by the destruction by this Government, encouraged by the trade unions, of the market mechanism of the price of labour. The result can be seen in current gross distortions in differentials; the direct cause of the unrest. Wage increases are the result, not the cause, of inflation.

The electorate is being fed the wage driven inflation fallacy to divert attention from the fundamental domestic cause of inflation — to use a down-to-earth business term—overheads. That is to say Government spending.

As long as fewer and fewer of us have to provide wealth to support more and more bureaucrats, Government departments, loss-making companies, nationalised industries, Quangos, National Enterprise Boards and other unproductive and inefficient enterprises, the currency will continue to be devalued.

D. C. Wilkins,
42 St. Winefrides Road,
Littlehampton, Sussex.

Stamp duty on homes

From Mr. A. Roper

Sir,—Further to the comment in "Men and Matters" (January 12) and the letter from Mr. A. Newton, MP, and Mr. J. MacGregor, MP (January 23) and it may also be mentioned that according to Press statements the National Federation of Building Trades Employers and other building industry organisations recommended in their memorandum to the Chancellor recently that the starting point for stamp duty on a house purchase be raised from £15,000 to £25,000. Your report on the memorandum (January 17) did not make any mention of this recommendation. The levels were set in 1974 by Mr. Healey when the average new home cost £11,200 compared with £18,400 today.

The position is that house purchasers in all except the very lowest range are now involved in the very considerable additional expense of substantial stamp duty which they can ill afford and which can only be regarded as a punitive form of taxation. To take one example, on a purchase price of £26,000 the combined stamp duty and Land Registry fee payable to the Government would amount to £443.25. If the average new home costs £18,400 as suggested the combined stamp duty and Land Registry fee payable to the Government on this price is likely to be £130.40.

I would respectfully suggest that there now be a public clamour for the total abolition of all stamp duties and possibly also Land Registry fees, thus bringing into effect a considerable saving for house purchasers where their pockets are really affected. Is the Government really interested in helping house purchasers or is it intent on maintaining a punitive form of taxation, the administrative expenses of which are in any event probably disproportionate to the amount of revenue which it produces?

Alan D. Roper,
Court Chambers,
3 Victoria Street,
St. Albans, Herts.

Today's Events

GENERAL

UK: Prime Minister chairs monthly meeting of National Economic Development Council discussing industrial strategy; NEDC publishes annual review.

TUC General Council special meeting, Congress House, to discuss new agreement with Government.

Dr. David Owen, Foreign Secretary, attends Foreign Press Association lunch, Savoy Hotel.

Overseas: Algerians vote for new President.

Spanish bank employees strike.

Mr. Ivan Stambolic, Premier of Serbia (a Yugoslav republic) visits London for bilateral economic co-operation talks.

Irish Government presents its Budget.

International Monetary Fund auctions 470,000 ounces of gold in Washington.

European Court ruling on installation of tachographs in UK lorries.

PARLIAMENTARY BUSINESS

House of Commons: Nurses, Midwives and Health Visitors Bill, remaining stages.

House of Lords: Cane Hill Cemetery Bill, second reading. Greater Manchester Passenger Transport Bill, second reading. Capital Gains Tax Bill (consolidation measures), second reading. Debate on the international year of the child. Debate on present and projected developments at the London Airports.

Details of Select Committee, Page 10

COMPANY RESULTS

Final dividends: Dewhurst Dent. F. Pratt Engineering Corporation. Scottish Agricultural Industries. Sterling Trust. Interim dividends: Benn Brothers. Dowty Group. Hillards. Interim figures: Mining Supplies. United Dominions Trust.

COMPANY MEETINGS

Burton Group, Hudson Road Mills, Leeds, 12. James H. Dennis, Trafford Park Road, Manchester, 11.30. Glenmurray Investment Trust, 8 Crosby Square, 3.30. Lombard North Central, Lombard House, Curzon Street, Park Lane, W, 2.30. Richards, Bradford Works, Maberly Street, Aberdeen, 12.

UK COMPANY NEWS

Massive leap by RKT to reach record £2.2m

FOLLOWING THE sharp rise from £116,846 to £581,337 in the first half, Robert Kitchen Taylor and Co., finished the year to September 30, 1978 with record pre-tax profits of £2.18m compared with £800,000 in the previous year and a £547,000 loss in 1975-76.

Earnings per 10p share are shown at 33.5p against 10.94p and the directors are recommending a net dividend of 1.5435p compared with 1p previously.

	Year 1977-78 £000	1976-77 £000
Turnover	20,113	14,686
Trading profit	2,773	1,465
Depreciation	187	163
Interest payable	407	619
Provision*	—	117
Profit before tax	2,179	800
Tax	773	277
Net profit	1,400	523
Pre-aquisition profits minorities	236	143
Extraordinary credits	93	103
Dividend	49	35
Retained	1,208	448

* Against property stock released.

More than £4m of debt has been repaid in the past two years and the short-term debt has been virtually eliminated, the directors say. The group traded successfully during the year and the future is viewed with confidence, despite recent discouraging events in the UK.

Activities of the group include knitwear manufacturing, textile merchanting, property and financial services.

● comment

RKT's share price has moved up steadily in anticipation of excellent results and the market was not disappointed. The same might not be said, however, of those minority shareholders in RKT Textiles who sold out to the parent last May. Pre-tax earnings of this now wholly-owned subsidiary (its profits account for roughly 80 per cent of the group total) amount to 52p per share on the old capital, against last year's offer price of 96p in cash—an exit p/e of perhaps 4. To be fair the company has enjoyed a much better than expected second half: both the textile design and thermal underwear sides have gone extremely well, while a management reshuffle in another activity has yielded a surprisingly rapid return. With the unsuccessful domestic appliance business now out the way and a much trimmer property portfolio on the boks, RKT's recent turnround now loks well assured. At 117p the p/e of 3.4 seems undemanding given the financial restructuring and potential, as yet not fully realised in earnings, from the bigger textiles side. The yield, meanwhile, is barely 2 per cent.

Half-year jump at W. Jackson

A JUMP in pre-tax profits to £946,182 for the 25 weeks to October 28, 1978, compared with £657,576 for 26 weeks is reported by William Jackson and Son. Turnover rose from £42.67m to £49.43m.

Fixed assets have been revalued showing a gross surplus of about £4m which has been added to reserves. As a result, the depreciation charge increased by about £100,000.

Tax is payable at £560,000 (£360,000).

In the last full year, pre-tax profits were £1.55m (£1.91m) on turnover of £93.34m (£78.74m).

The company has interests in baking, confectionery, meat processing, and the operation of discount stores and food markets.

Unitech rises 25% to £1.4m at six months

WITH SALES 36 per cent higher at £20.76m, pre-tax profits of Unitech, the electronic components concern, rose 25 per cent from £1.13m to £1.41m for the half-year to December 2, 1978.

The directors say the slower growth in profits was due in part to a lack of contribution from Brookes and Gatehouse, whose business is seasonal, and to disappointing result from Data Recognition.

While they anticipate some slowing down in the rate of increase in 1979, orders and sales continue to advance satisfactorily and a further rise in pre-tax profits for the second half is expected.

For the 1977-78 full year, profits reached a record £3.11m.

Half-yearly tax charge was £0.73m (£0.59m) and stated earnings per 10p share improved from 4p to 5.8p. The net interim dividend is lifted to 1.675p (1.452p) — last year's final was 2.5795p.

During the half-year there was a capital gain from the sale of certain trade investments, which will not give rise to a tax charge because of the capital loss carried forward.

	Half-year 1978 £000	1977 £000
External sales	20,757	15,250
Trading profit	1,636	1,313
Interest charges	227	188
Profit before tax	1,409	1,125
Tax	733	585
Net profit	676	540
Prft. on trade inv. sale	96	—
Minority loss	3	†13
Attributable	775	527
Ordinary dividends	226	189
Retained	548	338

† Profit.

● comment

Unitech warned that growth in 1977-78 would not match the bumper figures recorded in the past two years—and it was right. But sales are still a creditable 36 per cent up with pre-tax profits 25 per cent ahead so far and the outlook is for a full year figure of around £3.7m—almost 20 per cent up. First half profits margins were hit by a small loss at Brookes and Gatehouse and a rather larger loss at Data Recognition. Action has been taken at Data Recognition but with Brookes the group is introducing micro-processor technology which is likely to have some short-term adverse impact. Elsewhere the sales pattern is buoyant although the group has its fingers crossed regarding the U.S.—any downturn there has an immediate spillover into the UK. At 170p the prospective p/e is 12.8 and the yield is almost 4 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Unitech ...int	1.68	Apr. 2	1.45	—	4.03
Crouch Group ...int.	1	May 1	0.91	—	2.98
Drayton Far Eastern ...	0.73	Apr. 5	0.6	1.03	0.9
Evode ...	0.79	—	0.78	1.15	1.14
Hallam Sleigh ...	0.67	March 29	—	1.34	0.26
RKT ...	1.54	March 31	1	1.54	1
Textured Jersey ...int.	1.0	Apr. 2	0.5	—	1.0

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

Textured Jersey well up midway

HAVING WELL beaten its forecast in 1977-78, Textured Jersey, the jersey knitted fabric maker, reports a jump of 167 per cent to £264,000 in profit before tax for the first six months of the current year.

Subject to an early resolution of current nationwide industrial problems the directors expect sales and profitability in the second half to show an improvement over those of the first.

Turnover in the six months ended October 31, 1978, increased from £3.81m to £4.21m and margins rose from 2.8 per cent to 6.3 per cent. The operating profit came through at £406,000 against £284,000, subject to depreciation of £129,000 (£138,000) and interest of £13,000 (£40,000). Taxation requires £88,000 (£42,000).

Tax has been provided at 33 per cent being the estimated rate likely to apply for the year ending April 30, 1979. The charge for the corresponding period ended October 31, 1977 has been similarly adjusted.

The interim dividend is being doubled to 1.0p. This is the same level as last year's total which was the first payment for four years. The profit for 1977-1978 was £276,000 which compared with a forecast of not less than £212,000.

● comment

Textured Jersey is now well on target for a full recovery this year. First half profits are 149 per cent higher with margins, although still well short of the levels achieved five years ago, showing a 3½ point improvement to 6.3 per cent. Much of this is due to the benefits of investing in modern textile machinery which has allowed the company to manufacture the new generation of man-made fabrics. Also Textured has picked up market share thanks to the demise of some of its competitors. Assuming a favourable second half, about £0.56m looks possible for the year. On a low tax charge this puts the shares, at 50p, on a prospective p/e of 4.4 while the yield could be around six per cent if the company gets permission (under the new cover rules and/or recovery grounds) to pay a total of 2p net — a return still short of the sector average.

Mr. Robert Hunt, chairman of Dowty Group, photographed with one of the latest four-leg shield type mine roof supports. The group's interim figures are expected today.

ISSUE NEWS

Mid Southern Water preference at 98%

Mid Southern Water Company is offering for sale by tender £5m of 8 per cent Redeemable Preference stock 1984 at a minimum price of £98 per cent.

The terms are identical to the two previous water company issues from Mid Kent (£3m) and Colne Valley (£3.5m) made in November and December last year.

Mid Southern's stock is payable as to £10 per cent on application by 11 am next Tuesday with the balance due before March 16. Tenders must be for a minimum of £100 and above that in multiples of £100.

The first dividend, amounting to £2.411 per cent will be payable on July 2. Thereafter, payments will be made half-yearly on January 2 and July 1. The stock will be redeemed at par on March 15, 1984.

Brokers to the issue are Seymour Pierce and Co.

● comment

For the ordinary taxpayer the latest water company issue from Mid Southern, yielding 12.18 per cent or 12.49 per cent to redemption, will not look particularly exciting. However, for those able to take advantage of franked income the prospects are entirely different as the issue is worth a return of around 17 per cent. For this reason the offer should get a good response although it is unlikely to attract the same volume of applications that greeted the two previous issues, which received applications for around £11m of stock. To get any stock, prospective buyers might have to pitch their tenders between one-quarter and one-half points above the minimum price, although much will of course depend on the gilt market over the next week.

Yearlings rise to 13⅜%

The coupon rate on this week's batch of local authority yearling bonds has jumped to 13⅜ per cent, an increase of one-half of a point over the previous week.

The stock is issued at par and is due for repayment on February 13, 1980.

The issues are: South Wight BC (£0.25m), London Borough of Camden (£1.5m), Cleveland CC (£1m), City of Wakefield Metropolitan DC (£0.5m), Aberconwy DC (£0.5m), Strathkelvin DC (£0.25), City of Salford (£0.5m), Bury Metropolitan Council (£0.5m), Lothian RC (£0.5m), City of Edinburgh DC (£1m), Metropolitan Borough of Sandwell (£1m), Stirling DC (£0.5m) and The Receiver of the Metropolitan Police District (£0.5m). Lanark DC is issuing £0.25m variable rate bonds at par, due on February 1, 1984.

Crouch Group progress to £0.29m for first half year

PRE-TAX profits of the Crouch Group rose £30,000 to £289,000 in the half-year ended September 30, 1978, mainly reflecting the continuing trend of trading from traditional activities.

While incorporating a continuation of this trend, the directors expect that profits for the year will also reflect a contribution from the new commercial development subsidiary—Crouch Developments.

Turnover for the first half amounted to £6.3m against £4.71m. Tax takes £138,000 (£130,000) leaving net profits at £151,000 compared with £129,000.

The interim dividend is stepped up from 0.9075p to 1p—the total last year was 2.975p from pre-tax profits of £449,000.

The first half of 1978 saw the satisfactory completion of the restructuring of companies within the group as referred to in the last annual report. A major review of the investment portfolio is progressing well.

To meet the requirements of the residential development company, Crouch Homes, several prime sites in the south of England have been acquired for future development.

As difficult conditions continue to be experienced throughout the construction industry generally, the Board sees little immediate prospect of this section of the group's activities substantially adding to profits in the immediate future. However, the contribution from the new activities should more than make up for this.

● comment

A 1p share price fall to 66p yesterday means very little more than Crouch's mere £30,000 interim pre-tax rise. While the market is looking for earnings of around 6.5p per share for the full year, the many firm holders of the stock are anticipating the moment at which Crouch, as a fledgling property group, is rated at a discount, and a smallish one at that, to net asset value. That is asking a good deal of the board's property trading and investment expertise and, if the institutions appear to be coming forward to fund dealing developments, the current trend of interest rates is a potential brake on property investment prospects. Crouch's relative share price stability in housebuilding terms could be undermined unless the board shows definite signs of getting asset accumulating properties into the ground. That time limit looks to be no more than one year.

Malaysia Rubber up at 9 months

Net revenue of the Malaysia Rubber Company increased from £18,436 to £31,803 in the nine months ended December 31, 1978. Taking into account a profit of £5,186 on the disposal of a trade investment and dividends of £14,925 against £15,152 from associates the pre-tax balance comes through at £51,912 against £33,588.

After tax of £17,530 (£13,727) earnings per 10p share are shown to be up from 1.1p to 1.91p.

The figures exclude the results of Kinta Kellas Rubber Estates and Dormal Investments for the periods concerned except that dividends declared by Kinta Kellas to February 1, 1979, have been included.

On the basis of rentals presently receivable the profit for the year to March 31, 1979, of Dormal is estimated at £4,400 (£9,966) but would be increased on letting presently unlet space by March 31, 1979. The company's half share of profit would be £2,200. Its outstanding loan to Dormal is £72,000.

An interim dividend of 1.75p (0.5p) has already been announced—the total for 1977-78 was 2.25p paid from profits of £65,725.

The net asset value per share was 84.78p (80.96p).

Provisional liquidator for EIH

A provisional liquidator was appointed to Edinburgh Industrial Holdings yesterday, less than three weeks after the surprise Boardroom takeover intended to provide an essential capital injection.

The petition for a winding up was made in the Higha Court in Edinburgh by Mardon Flexible Packaging of Bath, which is owed £5,186 by EIH. Mr. Peter Taylor of Deloitte Haskins and Sells is to be the provisional liquidator.

EIH's shares were suspended on January 22 when the new Board, headed by Mr. Norman Castle (former chairman of S. and W. Berisford) announced a thorough financial review. Mr. Castle said that he thought the group's three industrial trading subsidiaries were profitable and could be developed.

Evode finishes £140,000 behind after second half recovery

Profits of Evode Holdings, manufacturer of adhesives and joining compounds under the Evo-Stik brand name, recovered to £1.03m in the second half of 1977-78 but was insufficient to offset the depressed first half result. The total for the year ended September 30 finished £143,000 lower at £1.34m.

In view of the continuing losses of the French subsidiary, the cost of the investment (£281,028) has been eliminated from the accounts and also the amounts due from this company on current account, the directors state.

They explain that this has the effect of reducing UK profits and overseas losses by £145,775. In addition a sum of £300,000 has been provided as an extra-ordinary item in respect of this investment.

Other extraordinary items are:—additional loss of £20,000 on sale of a subsidiary in previous years; loss of £9,000 on the sales of investment in associate; an additional write-down of £140,000 in respect of the Bondax machina due to uncertainty as to the future of the hot melt coated hesslan process; £5,000 scrip issue cost; and £2,000 cost incurred by a subsidiary to increase its share capital.

After providing for tax and extraordinary items the profit balance is down from £966,000 to £407,000. Earnings per 20p share are stated at 5.54p against 6.18p.

The final dividend is 0.7964p making a total of 1.1593p compared with the equivalent of 1.142p.

	1977-78 £000	1976-77 £000
Group turnover	26,761	23,218
Profit	1,307	1,447
Share of associates	33	36
Profit before tax	1,340	1,483
Taxation	457	499
Net profit	883	984
Extraordinary items	476-	18
Leaving	407	966
To capital reserve	—	2
Dividends	167	172
Retained	240	792

GA to enter W. German market

General Accident Fire and Life Assurance Corporation, the Scottish-based composite, is to extend its operations in the EEC by entering the West German insurance market. It will open a branch office there, initially operating from Munich, writing all classes of insurance except life and motor.

The GA's resident representative will be Mr. Rolf Neumann, formerly with the GA in the Netherlands and the legal representative will be Herr Willi Staiger chief executive of Dentscher Lloyd. This company has assisted GA in its application to the German authorities.

Mr. Nelson Robertson, deputy general manager of GA, stated that the West German domestic insurance market was the largest in Europe and it was for this reason that the group wished to operate in that country, and in due course develop a share of this major market.

Although it was not expecting to write a large amount of business in the early years, GA hoped in the longer-term to build up a significant portfolio.

N. M. ROTHSCHILD

N. M. Rothschild and Sons announces that its merchant banking subsidiary in Singapore has changed its name from New Court Merchant Bankers to N. M. Rothschild and Sons (Singapore).

Hallam Sleigh unchanged

PRE-TAX profits of Hallam, Sleigh and Cheston, general engineer, were little changed at £159,338 against £156,803 in the year to September 30, 1978, after an extraordinary credit of £47,037 compared with a £18,500 debit. Turnover rose from £3.72m to £4.79m.

The directors are not optimistic about the next six month's results, but they are confident that the full year will show a considerable increase in profit. In the previous first half pre-tax profits were £95,000 (£70,000) on turnover of £2.12m (£1.87m).

Coutts and Co. has been appointed banker in place of National Westminster: a medium-term loan of £500,000 has been made, £150,000 of which has been drawn.

The balance of the loan will be used to finance the construction of a new factory and offices in the centre of Birmingham.

After tax of £72,755 (£86,529), stated earning in the period under review rose to 2.34p (1.95p). The net final dividend is 0.67p (nil) per 10p share, making 1.34p (0.26p).

Brentnall Beard subsidiaries pass Lloyd's solvency test

Lloyd's of London yesterday announced that the three Lloyd's insurance broking subsidiary companies of Brentnall Beard (Holdings) have all passed the Lloyd's solvency test which every Lloyd's broker is obliged to satisfy.

The full statement said "the three Lloyd's broking firms within the Brentnall Beard group have all passed Lloyd's solvency test.

"However, in view of the overall group accounts the chairman of Brentnall Beard (Holdings) has agreed to certain requirements in respect of these companies for which the committee of Lloyd's asked."

What the other requirements are neither the company nor Lloyd's would say, but Brentnall Beard indicated that it has complied with requests under the ordinary solvency rules of Lloyd's.

Brentnall Beard explained last night that it had submitted to the Committee of Lloyd's, the accounts of the Lloyd's brokers within the group "together with all supporting information required by the Committee and have met all the solvency requirements."

Brentnall Beard added that it "has been informed by the Committee of Lloyd's that it has now received an interim report from the sub-committee set up to look into the affairs of Brentnall Beard's Lloyd's insurance broking companies."

"The directors remain confident that there is no fault to ba found in the group's handling of business with the Sasse syndicate or with any other aspect of the group's Lloyd's business."

"The group has given and will continue to give the fullest co-operation to this sub-committee."

Drayton Far Eastern

After tax of £161,158 against £112,323, revenue of Drayton Far Eastern Trust advanced from £125,940 to £144,907 for 1978.

A final dividend of 0.725p (0.6p) lifts the net total from 0.9p to 1.025p, absorbing £123,000 (£108,000).

At December 31, 1978 net assets were valued at £5.85m (£5.04m) representing 48½p (42p) per 25p share.

No provision has been made for tax on capital gains which would bave been payable had the investments been sold at their market values at the respective dates.

WINDING-UP ORDERS

Orders for the compulsory winding-up of 19 companies were made by Mr. Justice Vinelott in the High Court.

They were: Reuben Vincent and Co. (1969), Niagara Pools, Willow Plant, Boothferry Estate Agency and Cotswold Builders (Bourton).

Forumcastle, E. J. Lacy and Co., Sprillon, Slater and Fawcett and Rafthridge Contractors (formerly B. J. Tompkins Contractors).

Cornice Best, Strandvale, Mertrade, N. Rosen and Morland (Insurance Brokers).

D. S. Cowing, The Red Bus Clothing Company, Serafix and Revener.

HAWKER SIDDELEY

Investment clients of S. G. Warbug sold 20,000 Hawker Siddeley shares at 208p, it was announced yesterday. J. Henry Schroder Wagg's clients paid 213p to buy 10,000 shares. Schroder Wagg is advising Westinghouse Brake and Signal which is currently being bid for by Hawker Siddeley.

BIDS and DEALS

EMI to the rescue of United Artists Records

Britain's top music company, EMI, stepped in yesterday with a $3m (£1.5m) rescue bid for United Artists Records, in a move designed to protect its existing close relationship with the loss-making U.S. company and to expand its repertoire of American artists.

United Artists' future as a going concern has been in jeopardy after several years of losses. Its liabilities exceed tangible assets by $32m.

EMI's main U.S. record subsidiary, Capitol Industries-EMI, holds a five-year licence outside the U.S. to the United Artists label, which includes recordings by Shirley Bassey, Crystal Gayle and Kenny Rogers, as well as the Blue Note jaz zcatalogue.

The takeover will secure EMI's access to the existing records and provide an important extension to its stable of American performers. This has been a priority for some time.

On several occasions recently Sir John Read, chairman of EMI, has emphasised the group's need to capture more of the named artists recording in America. Unlike the early 1960s when UK artists shared top billing with those from the U.S., America now has a virtual monopoly of the top talent.

BID FOR JACKSONS BOURNE END

Rossminster Holdings, the property and investment group, is to make a £1 a share cash offer for Jacksons Bourne End — valuing the fibreboard manufacturer at just over £1m.

Rossminster says that it is required to make a full offer under Takeover Panel rules as it now controls a near 58 per cent stake in Jacksons. Rossminster has almost doubled its holding with the acquisition of further 304,000 shares.

On news of the bid Jacksons' share price rose 24p to £1.

YALE CONFIRMS SALE TO BARINGS

Yale University officially announced today the sale of Endowment Research and Management, the U.S. fund management company in which it has a 45 per cent stake.

Control of the company is passing to Baring Brothers, but a group of 20 employees and the new chief executive will have a substantial participation in the business.

Mr. John P. McGinnis, formerly senior vice-president in the trust department at Morgan Guaranty Trust in New York, is to be the new chairman and chief executive officer of Endowment Research.

Endowment Management was founded by Yale in 1967 to manage the University's endowment funds and other institutional funds.

Currently it has $1.4bn of funds under its control, between $250m and $300m of which are Yale assets.

Barings already has some $3bn of funds under management but the acquisition of control of the U.S. company will give it for the first time a substantial U.S. base.

ABERDEEN LAND

Scottish Western Trust has disposed of 87,000 shares in City of Aberdeen Land Association reducing its stake from just over 50 per cent to 47 per cent.

Meanwhile, the stake of Mrs. G. A. Ball, wife of a director of Aberdeen Land, has bought 82,000 shares, increasing the family's interest to 14.11 per cent.

CMT OFFERS 68p FOR FRANCIS AND DIRECTORS ACCEPT

Central Manufacturing and Trading is well on the way to acquiring G. R. Francis, the bathroom, kitchen and heating products retailer and wholesaler for which CMT yesterday launched a £1.4m cash bid.

Directors of Francis controlling a 58.2 per cent stake say they will accept the 68p a share offer. CMT, which has significant builders merchants interests, said that an acquisition would extend its product range and an entry into retailing.

Suspended at the beginning of the month at 64p the shares rose to 67p yesterday on re-listing.

Francis has been advised by Charterhouse Japhet and CMT by Singer and Friedlander.

DAWSON INTNL.

Woodbourne Nominees whose shareholding in Dawson International include the Alan Smith Family Trust, have placed through the market 1.7m shares (3 per cent).

This placing is in line with the policy of the trustees to reduce their holding in Dawson to 4m shares. The trustees have not present intention to reduce their holding further.

Canadians buy into EPC

Olympia and York, the private Canadian property company which has emerged as a potential bidder for English Property Corporation, has purchased 3¼m ordinary shares in EPC.

At a cost of £1.5m it paid 47p for 1.25 ordinary shares (1p above the current offer from Dutch property group Wereldhave), 46½p for a further 2m ordinary shares and £108.75 per cent for 125,000 6¼ per cent convertible unsecured loan stock.

The purchase was arranged by merchant bankers Rothschilds on behalf of a company controlled by the Canadian Reichman family, which also controls Olympia and York.

Wereldhave said yesterday that by Monday afternoon it had received acceptances for its original 37p a share offer from 198,577 ordinary shareholders (184,462 on the previous Friday), from 615 preference shareholders and from £22,734 6¼ per cent convertible unsecured loan stockholders.

Full details of the revised Dutch offer will be posted to shareholders "as soon as practicable."

CHRISTOPHER MORAN

Mr. Christopher Moran, managing director of Christopher Moran Group the insurance broker which is being investigated by the authorities over reinsurance transactions conducted in the mid-70s, has been buying shares in the company.

On Monday Mr. Moran bought 10,000 shares at 41p. Last Friday, C. J. Moran (Services), a company controlled by him, bought 15,000 at 41½p.

His mother, Mrs. I. M. Moran, bought 10,000 at 50p on January 30; and on February 2 bought 10,000 at 45p and 5,000 at 43p.

The shares closed at 36p down 3p yesterday.

NEW MEDICAL GROUP FORMED

Kleinwort, Benson and Thompson Clive and Partners have formed a group of institutional investors which, through a newly created company, Bond Street Investments, has acquired certain subsidiaries for some £4m of G. D. Searle and Co.

The companies acquired are J. Nesbit Evans and Co. in the UK and Oedip-Cerem SA, a French company, with subsidiaries in Germany, Belgium, Spain and Austria.

Nesbit Evans is a leading manufacturer of hospital beds, patient-handling systems and home-care products and the Oedip companies supply patient record cards systems for general practitioners and market medical books and equipment in Europe.

The group of investors includes the National Coal Board Pensions Funds, Industrial and Commercial Finance Corporation, Electra Investment Trust and trusts within Touche Remnant and Co.

ALLIED INSULATORS

Since insulators now represent less than half of Allied Insulators group, it is proposed to change the name of the company to Al Industrial Products.

MINING NEWS

Bougainville's 1978 profits rise 68%

BY KENNETH MARSTON, MINING EDITOR

AN ADVANCE of 68 per cent in 1978 profits is reported by the Rio Tinto-Zinc group's major copper and gold producer in Papua New Guinea, Bougainville Copper. Helped by the rise in gold prices, net earnings for the past year amount to K48m (£34.4m) compared with K28.5m in 1977. A final dividend of 10 toea (7.2p) lifts the 1978 total to 15 toea against 8 toea.

Year to 31 Dec.	1978 K000	1977 K000
Sales revenue	225,146	206,334
Admin. expenses	118,118	112,874
Depreciation	40,425	38,203
Royalties paid	2,760	2,490
Interest paid	8,093	11,661
Earnings	59,720	42,306
Net exchange gains/(losses)	10,295	(51)
Earnings before tax	70,015	42,255
Current income tax	22,000	13,724
Net earnings	48,015	28,531

Bougainville's metal sales increased last year. The total of 640,911 concentrates sold contained: copper 193,050 tonnes (182,029 tonnes in 1977), gold 22,832 kg (22,333 kg) and silver 51,373 kg (47,043 kg). But the rise in the value of the Papua New Guinea kina against both the U.S. and Australian dollars meant that Bougainville received correspondingly less kina for its export sales.

In terms of PNG currency, the average price of copper last year fell to 44 toea per pound from 47 toea in 1977 whereas the U.S. price average rose to 63 cents per pound from 59 cents. Similarly, last year's average gold price in PNG currency was K137 per ounce compared with K117 in 1977, a rise of 17 per cent. But the U.S. gold price average increased by 32 per cent to $194 per ounce from $147.

However, exchange rates cut both ways. The repayment of overseas loans became less in terms of kina and Bougainville made an exchange gain in this respect of K11.7m last year. The company made a notable achievement in reducing its outstanding loans to the equivalent of K60.8m from K115.7m at the end of 1977.

Apart from being a major producer of copper, Bougainville also ranks as the world's 12th largest gold producer. The continued rise in the gold price together with the recent revival in that of copper points to a fresh upsurge in earnings during the current quarter, despite the adverse exchange rate. The shares hardened to 161p yesterday.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals, and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Bonn Brothers, Gowty, Hillards.

Finals—Arden and Cobden Hotels, Colonial Securities Trust, Dewhurst Dent, F. Pratt Engineering, Scottish Agricultural Industries, Sterling Trust.

FUTURE DATES

Interims—

Abercom Investments ... Feb. 15
Elbief ... Feb. 8
Jentique ... Feb. 19
Nolton ... Feb. 15
Sunley (Bernard) ... Feb. 12
Wetehoms ... Feb. 8

Finals—

Barclays Bank ... Feb. 22
British American and Gen. Tst. ... Feb. 9
General Funds Investment Trust ... Feb. 8
Shiree Investment ... Feb. 13

MINING BRIEFS

BH SOUTH—Production and development statistics of Cobar Mines Pty. for 12 weeks ended December 22, 1978:

Cobar Mines	22/12/78	10/12/77
	12 weeks ended	
	22/12/78	10/12/77
	(figs. in tonnes)	
Prdctn. days avail.	58	58
Prdctn. days wrkd.	58	58
Crude ore treated	129,960	140,810
Copper concentrate	5,257	8,269
Copper content	1,365	2,410
Zinc concentrate	9,401	8,169
Zinc content	4,679	4,298
Lead concentrate	3,163	1,257
Lead content	1,623	667

KILLINGHALL TIN — Output for January 51½ tonnes (December 20¾ tonnes).

PAHANG CONSOLIDATED—Output of lode tin concentrates for January 107 tonnes (December 127 tonnes).

INTERNATIONAL COMPANIES and FINANCE

NORTH AMERICAN NEWS

Air travel boom pushes Pan Am results higher

BY JOHN WYLES IN NEW YORK

PAN AMERICAN World Airways share of last year's boom in air travel yielded a 264 per cent increase in net income to $118.8m.

Significantly higher traffic figures brought dividends both to America's leading international air carrier and to its Intercontinental Hotels subsidiary, whose earnings leaped from $11.5m in 1977 to $21.5m.

However, Pan Am's $2.31 per share income on operating revenues of $2.2bn was softened by a fourth quarter loss of $4.6m compared with a loss in the same quarter of 1977 of $9.5m.

Although the pattern has been no means general, some U.S. airlines had a softer than expected quarter.

Pan Am says there was no significant decline in its traffic growth during the last three months, and that its loss is a seasonal one which is more often than not incurred at this time of the year. The important fact for the airline was that the deficit was lower than last year.

Operating revenues rose 15.6 per cent over 1977, and operating expenses increased by 13.4 per cent to $2.06bn. The preliminary results include a gain on disposal of equipment worth $14.7m compared with $21.6m the year before.

Pan Am acknowledged in its preliminary earnings statement that last year's going owed something to the long pilot's strike at North West Airlines as well as to traffic growth.

The airline's scheduled revenue passenger miles increased 20.1 per cent last year along with a 10.5 per cent increase in capacity. Neither Pan Am nor the industry in general expects comparable growth this year, but assuming there is no general economic recession in the U.S., traffic growth in the 7-10 per cent range is forecast.

The major development in Pan Am's affairs this year should be the government ruling in late spring or early summer on its bid to acquire National Airlines. Should this win approval, Pan Am will be gaining the domestic route structure which it has long argued is needed to provide an effective base for its international business.

Dow surges in last quarter

BY DAVID LASCELLES IN NEW YORK

DOW CHEMICAL, the third largest U.S. chemical company, recorded a sharp turnround in earnings last year, and ended up with record sales.

Fourth quarter net income was $138.3m or 76 cents a share, up 34 per cent on the same period of 1977, on the back of a 17 per cent rise in sales to $1.8bn. As a result, total 1978 income was $575m or $3.16, up 4 per cent from $553m or $3. Total sales for the year were $6.9bn, up 10 per cent.

Mr. G. J. Williams, financial vice-president, said the turnround, which began last summer, had led to high sales in the closing months of 1978, and had pushed plant operating rates to the highest level in four years.

The rebound had been particularly noticeable in agricultural chemicals, plastics and pharmaceuticals. Shortages of plastics had even disappeared, and the cost of raw materials had also risen sharply.

Overseas, Dow's business in Canada had depressed profits because of escalating costs and technical factors, but there were improvements in Latin America and the Pacific area.

Record for GM but margins hit

BY OUR NEW YORK STAFF

GENERAL MOTORS, the world's largest automotive company, reports a 5 per cent increase in net profits last year to a record $3.5bn.

But there was a marked lack of jubilation in the statement from Mr. Thomas Murphy, the chairman, and Mr. Elliott M. Estes, the president. Appropriately, at the start of a year in which the company had to negotiate a new three-year contract with its employees, GM laid great stress on its falling profit margins and the fact that, in constant dollars, 1978 income was lower than the preceding year.

With the help of a 7.2 per cent increase in fourth quarter net income to $1bn, GM's full year profits totalled $3.51bn or $12.24 a share, compared with $3.34bn or $11.62 a share.

Full year world-wide sales increased 15 per cent, from $54.96bn to $63.22bn. The company said that price increases accounted for about 56 per cent of the $8.2bn increase.

Mr. Murphy and Mr. Estes affirmed that "inflation endures as the most pressing problem we face as a corporation and a nation." They complained that the company has been unable to recover fully its escalating costs, with the result that GM's profit margin, which had fallen from 10.3 per cent in 1965 to 6.1 per cent in 1977, was only 5.5 per cent last year.

The company's world-wide factory sales of cars and trucks totalled a record 9.48m units, 414,000 more than the year before.

Apart from inflationary increases, which included a 10 per cent rise in hourly wage costs, earnings were also adversely affected by higher costs for special tools and facilities associated with new model programmes.

Emhart ahead despite late weakness

BY OUR FINANCIAL STAFF

EMHART CORPORATION, one of the top 200 companies in the U.S. by the Fortune magazine listing, has pushed net earnings ahead in 1978, despite a slackening in profit margins in the final quarter.

The year-end figures show an increase of 18 per cent to $70.2m in net earnings, on sales of $1.3bn against $1.2bn in the previous year. Share earnings have risen from $5.26 to $5.93.

Emhart operates on a worldwide basis with substantial interests in Britain. Its products range from glass bottling machinery to security alarms and tanning equipment. Two years ago, it merged with United Shoe Machinery, a U.S. group then much larger than Emhart.

But the fourth quarter showed a significant slackening in profit margins. Net profits for the quarter were 13 per cent higher at $19.4m, while sales at $366.3m, showed a rise of 17 per cent. Share earnings of $1.62 compared with $1.50 last time.

The company said that incoming orders at present are 14 per cent above those for the corresponding period but declined to give specific figures. At the year end, the order backlog stood at $409m, some 29 per cent higher than a year ago.

Emhart comments that the year end total take in a decrease in net earnings of $15.8m or $1.30 a share following adjustment of the LIFO accounting method.

But it also included a gain of $5.3m or 43 cents a share against a loss of $6.9m or 58 cents a share after foreign exchange translation.

Strong lift in Boeing earnings and payout

By Our New York Staff

BOEING COMPANY, the world's leading commercial aircraft manufacturer, reports a steep rise in 1978 earnings, a bulging order book, a three-for two stock split and a 25 per cent increase in quarterly dividends.

But a selling wave on the New York Stock Exchange wiped $2⅞ off the company's share price to $74⅛. Expectations of a three or four year boom at Boeing have pushed the stock up from a low of $25 last year, but its closing price gave Boeing a price/earnings ratio of 9.8.

Fourth quarter earnings surged 92.8 per cent from $55.5m or $1.31 per share to $107m or $2.53 per share. Sales increased 43.6 per cent from $1.13bn to $1.62bn.

Full year earnings were up 79 per cent from $180.3m or $4.24 per share to $322.9m or $7.57 per share. Sales rose 36 per cent from $4.11bn to $5.46bn.

New aircraft orders totalled a record 490 jetliners worth $11bn, compared with 228 worth $4.1bn the year before.

Sales this year are scheduled to approach $8bn

Agencies add from New York: In sharp contrast, another leading aerospace products manufacturer, Grumman Corporation, reported a decline in fourth quarter net profits to $3.9m or 44 cents compared with $7.8m or 85 cents for the previous final quarter. Sales were down to $350m from $400.2m.

Net profits for the year declined to $19.9m or $2.19 per share from $32.3m or $3.53. Turnover increased to $1.97bn from $1.75bn.

Utd. Technologies

Howard C. Kauffmann, president and a director of Exxon, has been elected to the Board of directors of United Technologies Corporation, writes our Financial Staff.

OIL INDUSTRY RESULTS

Controls may continue

BY DAVID LASCELLES IN NEW YORK

UNDER GLARING lights at his latest news conference, President Carter was asked:

"The fourth quarter profits are out for the big oil companies. I won't mention any names, but they reached 48 per cent, 72 per cent, 44 per cent, and 134 per cent.

"In the fact you've asked the country to make sacrifices, to prepare for lean and austere years, I was wondering if you'd give us your reaction to those profits — when American workers are being asked to hold wage increases to 7 per cent?"

In a rambling reply, Mr. Carter evaded the question—which was not surprising, since oil company profits are once again a controversial subject.

Actually, the question was unfair.

The four companies referred to (respectively Exxon, Texaco, Gulf and Sohio) did indeed enjoy a large jump in earnings in the final quarter of 1978, but several others did not.

Shell oils were flat, Indiana Standard's were down 3 per cent, Marathon's were off 2 per cent and Occidental indicated its own would be disappointing, all apparently confirming that there is no such thing as a trend in oil company performance.

Even so, with Mr. Carter facing a decision on the future of U.S. oil price controls, the economics of the oil industry are under close scrutiny—as the press conference showed—and the final reports for 1978 are bound to have a bearing on Mr. Carter's decision.

What do they show?

First, despite the rapidly rising cost of exploration and production, the industry can increase sales even faster, thanks to the leeway in current price controls and the National Energy Act passed last autumn, which set in motion deregulation of natural gas prices.

As Shell Oil's president, Mr. John Bookout, carefully phrased it: "Higher prices for domestic production of crude oil and natural gas more than offset the higher costs associated with these operations, resulting in a beneficial effect on earnings."

The achievement of full production at the North Slope field in Alaska was a big boon.

Apart from bringing the long-awaited return on investment there it greatly swelled producers' earnings since Alaskan oil has special dispensation from price controls. The biggest gainer was Sohio now majority-owned by British Petroleum whose earnings leapt from $181.1m in 1977 to $450.2m.

Second, the mild autumn created unseasonably high demand for petrol which, combined with the extra costs the oil companies were allowed to pass on, brought most producers a surge in both real and dollar sales. (For some reason, the weather did not bring a parallel reduction in demand for heating oil, which became scarce and expensive.)

The tightness of the refined products market is expected to last for some time—years even—because of the environmental constraints on refinery expansion.

So, conditions seem favourable for the oil industry's main lines of business. The pinch lies in their other activities.

The persistent weakness of the chemicals industry brought losses or at best flat earnings. The notable exception was Exxon, whose chemical business increased profits by 27 per cent, though the industry leader's other non-oil and gas ventures —coal, nuclear, minerals and new ventures—all made a loss.

However, the apparent health of the oil and gas business could be embarrassing.

Apart from attracting unwelcome publicity at a time of national austerity, it is bound to damage the oil industry's stridently voiced case for an increase in domestic oil prices.

With Mr. Carter empowered to lift price controls in May, two and a-half years before they expire by law, the industry has been pressing for an end to regulation on the grounds that present prices are too low to finance development of future sources of supply, which lie in hostile and remote areas. (The average domestic price is currently $9.50 a barrel against OPEC's $13.50.)

They also claim that present rules and controls leave little incentive to enhance production from existing wells.

The most dramatic evidence of this was Ashland Oil's decision last June to pull out of exploration and production altogether because of its growing cost and complexity, and concentrate on more profitable things instead. Since Ashland's decision, the Iranian crisis has injected further uncertainties, which many oil companies warn will affect earnings in 1979.

And even if prices are deregulated, the industry would be lucky to derive any direct benefit.

Mr. Carter has promised to impose some accompanying tax measure to prevent the oil companies reaping windfall profits. Privately, many oil executives are resigned to not getting what they want, and are presumably adjusting their plans accordingly.

Furthermore, present controls on refined products prices take the form of a formula, not a ceiling. In other words, refiners are not in a bind, but can pass on recognised cost increases to their customers, a fact which further weakens their case for deregulation.

Only a few days ago, the Energy Department estimated that the price of petrol would rise at least 9 cents a gallon, or more than 10 per cent, over the next two years without any change in price controls.

And, even with deregulation, the price would only go up a few cents more.

Mr. Carter's main concern now is with keeping prices down, not pushing them up.

With President Carter facing a decision on the future of U.S. oil price controls, the economics of the oil industry are under close scrutiny. Apart from attracting unwelcome publicity at a time of national austerity, the apparent health of the oil and gas business is bound to damage its stridently-voiced case for an increase in domestic oil prices.

Dawe action likely on Moscow Narodny

By Philip Bowring in Hong Kong

Following the effective dismissal in San Francisco on Monday of fraud charges against Singapore entrepreneur Amos Dawe, it seems likely Mr. Dawe will now launch further legal assaults on his adversaries, notably, the Soviet-owned and London-based Moscow Narodny Bank.

The Singapore branch of the Soviet bank was the principal supplier of funds to Mr. Dawe's Mosbert group, a South-East Asian diversified property, investment and financial concern which collapsed in 1975. The group, headquartered in Hong Kong but with most of its operations in Malaysia and Singapore, fell apart following the withdrawal of support by Moscow-Narodny, which had loaned it sums believed to exceed $50m.

Mr. Dawe voluntarily surrendered to the California authorities last August to face charges arising from his attempted take-over in 1975 of three small California banks. Mr. Dawe alleged that Moscow Narodny reneged on commitments to him to fund his purchase of these banks.

It is understood that Mr. Dawe's lawyers will soon bring an action in Singapore in an attempt to have a bankruptcy judgment made last year against Mr. Dawe nullified. Mr. Dawe is involved in a large number of suits against. Several more similar cases in Malaysia are expected. In London last November, Mr. Dawe sued in connection with the foreclosure by Moscow Narodny on shares in Consolidated Hotels, a Singapore hotel company, and he is expected to allege conspiracy to defraud. Also in London, Mr. Dawe is suing Moscow Narodny for alleged failure to honour a credit commitment with respect to the aborted California bank purchase.

It is expected that an attempt may be made to have the Consolidated Hotels case shifted from London to Singapore.

See also Page 28

EUROBONDS

Falls in dollar sector

BY JOHN EVANS

THE Eurodollar bond market displayed broad weakness yesterday, with most outstanding secondary market issues falling by up to ¾ to ⅞ points.

The dollar section was showing signs of faltering under the heavy flow of new issues, with more than $1bn of bonds currently on offer, according to many dealers.

The decline in the dollar in currency markets earlier in the week, coupled with the strength of gold and anxieties over the volatile Iranian situation, also acted to exert pressure.

Many of the new dollar issues were being offered across the market at the full selling group concessions. In certain issues, co-managers were reportedly selling at below these levels.

In the secondary market, the $100m Republic of Finland 9½ per cent 1986 issue opened at 98¾-98⅞ in first-time trading, against its issue price of 99½.

Canadian issues also moved lower, due to the weight of new Canadian offerings in the market. Among new bonds, the $75m New Brunswick offering was priced at 99½, with terms otherwise unchanged. The $50m Hudsons Bay issue was priced at 101, with the coupon set at the anticipated level of 10 per cent.

In D-Marks, trading remained thin with most prices slipping by about ¼ of a point. A DM100m issue for an unknown borrower should be announced later today by Westdeutsche Landesbank.

The DM20m private placement for the South African Oil Fund was priced at 99½ by the lead manager, Bayerische Landesbank. Other terms of this five year bullet include a coupon of 7¾ per cent.

The final terms of the DM85m private placement for Euratom arranged by Deutsche Bank include a pricing at a discount believed to be under 99. The lead manager is currently quoting the bonds at 97.

● Japan's Hokkaido Takushoku Bank has issued floating rate certificates of deposit totalling $20m, via the First Chicago group.

The three-year offering carries an interest rate of ⅜ point over the six-month interbank rate.

AMERICAN QUARTERLIES

AMERICAN CYANAMID		
Fourth quarter	1978	1977
	$	$
Revenue	734.1m	642.5m
Net profits	43.8m	35.6m
Net per share	0.91	0.77
Year		
Revenue	2.7bn	2.4bn
Net profits	159.9m	138.4m
Net per share	3.26	2.92

ANCHOR HOCKING		
Fourth quarter	1978	1977
	$	$
Revenue	183.0m	168.9m
Net profits	5.15m	7.58m
Net per share	1.35	1.12
Year		
Revenue	710.8m	641.3m
Net profits	35.80m	30.08m
Net per share	5.28	4.45

BAXTER TRAVENOL		
Fourth quarter	1978	1977
	$	$
Revenue	276.8m	228.4m
Net profits	24.86m	20.89m
Net per share	0.67	0.57
Year		
Revenue	1.0bn	844.4m
Net profits	91.68m	78.12m
Net per share	2.52	2.10

DOMINION FOUNDRIES		
Year	1978	1977
	$C	$C
Revenue	1.12bn	919.0m
Net profits	95.4m	83.1m
Net per share	5.52	4.01

DOMINION BRIDGE		
Year	1978	1977
	$	$
Revenue	686.0m	563.0m
Net profits	37.3m	32.0m
Net per share	3.50	3.03

FIELDCREST MILLS		
Fourth quarter	1978	1977
	$	$
Revenue	133.2m	123.8m
Net profits	7.07m	5.11m
Net per share	1.88	1.38
Year		
Revenue	483.6m	416.9m
Net profits	22.71m	17.29m
Net per share	6.07	4.65

FISCHBACH AND MOORE		
First quarter	1978	1977
	$	$
Revenue	187.3m	168.0m
Net profits	3.01m	2.98m
Net per share	0.90	0.89

FRANK B. HALL		
Fourth quarter	1978	1977
	$	$
Revenue	55.11m	36.28m
Net profits	4.46m	3.81m
Net per share	0.49	0.40
Year		
Revenue	132.99m	149.21m
Net profits	22.30m	18.13m
Net per share	2.45	2.01

GREYHOUND		
Fourth quarter	1978	1977
	$	$
Revenue	1.1bn	1.04bn
Net profits	24.2m	26.28m
Net per share	0.52	0.56
Year		
Year revenue	4.36bn	3.87bn
Revenue	387.5m	3.87bn
Net profits	88.35m	81.94m
Net per share	1.27	1.75

KERR-McGEE		
Fourth quarter	1978	1977
	$	$
Revenue	543.5m	505.8m
Net profits	40.0m	26.6m
Net per share	1.55	1.03
Year		
Revenue	2.1bn	2.2bn
Net profits	118.2m	119.2m
Net per share	4.37	4.21

QUESTOR CORPORATION		
Fourth quarter	1978	1977
	$	$
Revenue	111.7m	94.5m
Net profits	3.25m	3.05m
Net per share	0.34	0.32
Year		
Revenue	432.6m	396.0m
Net profits	7.92m	6.78m
Net per share	0.80	0.68

SUNDSTRAND		
Fourth quarter	1978	1977
	$	$
Revenue	190.3m	170.2m
Net profits	12.93m	12.14m
Net per share	0.77	0.76
Year		
Revenue	731.0m	961.2m
Net profits	49.79m	37.34m
Net per share	3.05	2.35

TENNECO		
Fourth quarter	1978	1977
	$	$
Revenue	2.46bn	1.92bn
Net profits	135.0m	118.0m
Net per share	1.31	1.20
Year		
Revenue	8.76bn	7.41bn
Net profits	486.0m	427.0m
Net per share	4.53	4.38

TIMES MIRROR		
Fourth quarter	1978	1977
	$	$
Revenue	353.0m	313.2m
Net profits	47.8m	25.48m
Net per share	1.40	0.74
Year		
Revenue	1.43bn	1.14bn
Net profits	142.4m	96.11m
Net per share	4.13	2.77

UTD. TELECOMMUNICATIONS		
Fourth quarter	1978	1977
	$	$
Revenue	387.5m	321.4m
Net profits	42.7m	35.37m
Net per share	0.64	0.54
Year		
Revenue	1.43bn	1.22bn
Net profits	160.14m	140.08m
Net per share	2.42	2.15

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. Closing prices on February 6

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aga Akt. 9¾ 88	25	94¾	95¼	−0⅛	+0½	10.08
Australia 8.45 83	175	96¼	96¾	0	−0¼	9.77
Australia 9⅛ 93	75	97⅛	97⅝	−0¼	−0⅞	0.68
CECA 8¾ 87	50	94	94½	0	−0⅛	0.77
CECA 9¾ 84-99	50	96½	97	−0⅛	−0⅛	9.73
CNT 9 93	75	94¾	95¼	−0⅛	−0⅛	9.65
Canada 9 83	400	98¼	98⅞	−0⅛	−0⅛	0.58
Canada 9¼ 88	350	98⅛	98⅜	−0⅛	−0⅜	9.64
Canadair 8¼ 83	70	94⅞	95⅜	−0⅜	−0¼	5.98
Dominion Bridge 9 88	25	95⅛	95⅝	−0⅜	−0⅞	8.89
EIB 9¼ 98	125	95¾	96¼	−0⅛	−0⅛	8.81
Export Dv. Cpn. 8.85 84	150	100¾	101¼	−0⅛	+0⅛	8.82
Eksportfinans 9 88	50	95⅞	96⅜	−0⅛	+0⅛	9.73
Finland 8¾ 83	100	97⅛	97⅝	−0⅛	−0⅛	9.72
Finland 8 88	100	96¼	96¾	0	−0⅛	9.81
Hospital O/S 8 83	25	97⅛	98	−0¼	−0⅛	0.63
Ital Finance 9¾ 90	30	94⅜	94⅞	−0⅛	−0⅛	10.56
J. C. Penney 8¼ 83	100	96½	97	−0⅛	−0⅛	8.39
NZ Dev. Fin. 8⅞ 83	20	94¼	94⅞	−0⅛	−0⅛	8.88
NZ Dev. Fin. 8⅜ 85	20	94	94½	−0⅛	0	9.61
Nat. West. 9 86	75	97¾	98¼	−0⅛	−0⅛	2.39
Newfoundland 9¾ 90	50	97¼	97⅞	−0⅛	−0⅛	0.59
Nord Inv. Bk. 8¾ 88	25	95⅛	95⅞	0	−0⅛	9.47
Norsk Hydro 9¾ 94	50	96	96½	−0⅛	−0⅛	8.73
Norway 7⅞ 83	250	93	93½	−0⅛	−0⅛	8.88
Norway 8¾ 83	150	97¾	97⅞	−0⅛	−0⅛	2.84
Norway 8⅞ 84	150	100⅜	101⅛	−0⅛	+0⅛	2.71
Occidental 8⅞ 85	75	92⅞	93⅜	−0⅛	−0⅛	10.45
Ont. Hydro 8½ 85	125	94⅛	94⅝	−0⅛	−0⅜	9.71
Quebec Hydro 9½ 93	50	98⅛	98⅝	−0⅛	−0¼	2.70
Sweden 9¾ 98	125	97	97½	−0¼	−0⅛	8.79
UK 8½ 85	200	95⅞	96	−0⅛	−0⅛	0.63
UK 8⅞ 93	150	95⅝	96⅝	0	−0⅛	9.61

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
American Ex. Int. 5½ 87	70	88	88½	0	0	5.78
Argentina 6½ 88	150	95⅞	95⅞	−0⅜	−0⅛	7.17
Australia 8 88	250	99⅝	100⅛	−0⅛	−0⅛	6.01
Austria 5¾ 90	150	92½	93	−0⅛	−0⅛	0.65
Bankamerica 5¾ 90	150	98¾	99¼	0	0	5.87
Bq. Ext. Algerie 7¾ 85	100	96⅞	97⅛	+0⅛	0	7.83
Brazil 7¾ 87	150	100⅛	100⅝	0	0	7.12
CECA 6 88	150	96⅝	97⅛	+0¼	+0⅛	6.44
Canada 4¾ 83	600	98	98½	−0⅛	0	5.24
Ch. Manhttn. O/S 6 93	100	100⅛	100⅝	0	+0⅛	5.96
Commerzbank WW 3½	100	100⅞	102⅛	−0⅛	+0⅜	3.31
Commerzbank XW 3½	100	81⅛	82⅛	−0⅜	−0⅛	6.10
Copenhagen City 6 90	75	91⅜	92⅛	−0⅜	−0⅜	7.06
Council of Europe 6⅞	100	97¾	98	−0⅛	−0⅛	2.47
Council of Europe 6½	130	97⅞	98⅜	−0⅛	−0⅛	6.51
Denmark 5¾ 85	100	97¼	97⅜	—	—	6.29
Denmark 6½ 89	100	96¼	96¾	—	—	7.00
EIB 2 90	300	94⅞	95⅜	+0⅛	+0⅛	6.61
EIB 6½ 91	200	96⅛	96⅝	−0⅛	+0⅛	0.94
Eurofima 6½ 88	100	98⅜	98⅞	−0⅛	−0⅛	6.69
Finland 8 93	150	99¾	100¼	+0⅛	+0⅛	5.98
Hitachi Ship 5¾ 83	50	100	100½	0	0	5.69
IBJ 6 84	100	97⅝	98⅛	−0⅛	−0⅛	5.50
Indonesia 7 84	100	97⅞	98⅜	0	+0⅛	7.41
Kobe, City of 5¾ 86	100	100⅛	100⅞	−0⅛	−0⅛	5.64
Mitsubishi Petro. 5¾ 85	100	100⅛	100⅞	+0⅛	+0½	0.63
New Zealand 6¾ 87	200	99⅝	100⅛	−0⅛	+0⅛	0.27
Nippon Steel 5¾ 86	100	99	99½	+0⅛	−0⅛	5.86
Nippon Tel. & T. 5½ 97	100	97⅜	98⅛	−0⅛	−0⅛	0.84
Nordic Inv. Bk. 6¾ 86	60	97⅜	96⅛	−0⅛	−0⅛	0.64
Norges Komm. 8 90	100	95⅞	98⅜	−0⅛	−0⅞	0.47
Norges Komm. 6⅛ 89	150	97½	97⅞	−0⅛	0	0.58
Norwegn. Ind. Bk. 6 90	125	95½	96	−0⅛	−1⅛	2.94
Occidental 6¾ 90	150	96⅜	96⅞	−0⅛	−0⅛	7.18
OKB 6½ 88	100	100⅝	101⅛	−0⅛	+0⅛	2.37
Petroleo Brazil 7 88	100	98⅛	99	0	−0⅛	7.18
PK Banken 5¾ 88	100	92⅞	93⅛	−0⅛	0	0.83
Ricoh 5¾ 83	30	99⅜	99⅞	+0⅛	+1⅛	5.37
Statoil 6 88	150	96⅞	97⅜	−0⅛	−0⅛	6.40
UBS Group 5¾ 83	85	97⅜	97⅞	0	+0⅛	8.35
Union Bank-Finn. 6½ 88	50	95⅜	96⅛	0	0	7.07
Venezuela 6½ 90	150	93½	94	−0⅛	0	7.31
World Bank 6¾ 88	400	97	97½	−0⅛	−0⅛	8.84

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Acesa 5¾ 88	40	104½	105	+0⅛	−0⅞	4.60
Amer. Exp. Int. 3½ 93	40	102⅞	103⅜	+0⅞	−0⅛	3.24
Arlberg Tunnel 4 93	40	102¼	102¾	+0⅛	−0⅛	3.79
Austria 3½ 93	100	98¾	99¼	0	−0⅛	3.56
Brazil 4¾	100	98⅞	99⅜	+0⅞	−1⅛	4.34
Chase Manhattan 4 93	70	104	104½	+0⅞	−2⅛	3.63
Council of Europe 4¾	100	103½	103¾	+0⅞	+0⅛	3.86
Bankamerica 3¾ 93	80	102⅞	103⅛	+0⅛	−0⅛	3.48
BNDE 5 88	75	103	103½	+0⅛	−0⅛	4.57
Denmark 4½ 90	100	104⅛	104⅝	0	−0⅛	4.03
Denmark-Mortgage Bk.	80	105¼	105¾	+0⅛	−0⅛	3.89
EIB 4¾ 93	100	103½	103¾	−0⅛	−1⅛	3.92
Euratom 4½ 93	80	103⅞	104⅛	+0⅛	+0⅛	3.88
F. L. Smidth 4½ 89	75	103	103¼	0	−1⅛	4.13
Finland 4½ 93	80	103¼	103½	+0⅛	−2⅛	4.18
GZB 4½ 93	100	104⅝	104⅞	−0⅛	−1	4.06
ICI Fin. NV 4¾ 93	100	103⅜	103⅞	+0⅛	−1⅛	3.90
Malaysia 4¾ 90	80	100	100¼	−0⅛	−1	4.73
Manitoba 4 93	100	104¾	105	+0⅛	+0⅛	3.56
Newag 4 93	70	103⅛	103⅝	+0⅛	+0⅛	3.68
New Zealand 3½ 94	120	99½	99¾	+0⅛	+0⅛	3.53
Norges Komm. 4¼ 90	100	104⅛	104⅝	+0⅛	−0⅞	3.75
OKB 4 93	30	103	103½	+0⅛	−1⅛	3.70
Oy Nokia 5 90	20	104	104½	−0⅛	0	4.51
Safe 4¼ 93	30	103½	104	−0⅛	−0⅛	3.90
Sandvik 4 90	85	103¼	104	+0⅛	−0⅞	3.59
Sogs 4½ 88	15	103¼	104	−0⅛	−2	3.99
Voest-Alpine 4½ 93	100	104¼	104½	−0⅛	+0⅛	4.09
Vorarlberg Kraft 4 93	30	104	104¼	+0⅛	+1⅛	3.62
Vienna 4 93	100	102½	102¾	+0⅛	−1½	3.76
World Bank 4¼ 93	250	103¼	103½	−0⅛	−0⅛	3.94

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 5¾ 88	15	84⅞	85⅞	−0⅛	−0⅛	6.41
Australia 5.6 83	30	100⅝	101⅛	0	−0⅞	5.52
Australia 6½ 88	20	97¾	98¼	0	−0⅛	6.96
BFCE 8.4 90	30	94⅛	95⅞	0	−0⅛	7.17
Eurofima 6.3 90	10	94¾	95¼	−0⅛	−0½	7.03
Finland 6.0 83	10	98⅝	99⅛	−0⅛	0	5.82
Finland 8.8 88	10	97¾	98¼	+0⅛	0	7.23
Sweden 6.3 90	40	94⅛	95⅛	0	−0⅛	7.10

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bank O/S Hold. 11½ A$	12	96½	97½	0	0	12.53
Auto Cote 8. 7 93 EUA	16	91¾	92¾	0	−0⅛	7.97
Copenhagen 7 93 EUA	30	92½	93¼	−0⅛	−0⅛	7.83
Komm. Inst. 7½ 83 EUA	15	96¾	98	0	+0⅛	7.80
Panama 8¼ 93 EUA	20	95	96	0	0	8.80
SOR France 7 93 EUA	22	91⅞	93½	−0⅛	−1⅛	7.88
Algemene Bk. 6½ 83 Fl	75	94½	95⅛	+0⅛	+0⅛	7.73
Brazil 7½ 83 Fl	75	94⅜	95⅛	0	−0⅛	8.97
CFE Mexico 7¾ 83 Fl	75	97⅛	88	−0⅛	+0⅛	8.39
EIB 7¾ 85 Fl	75	95⅜	96⅜	0	+0⅛	8.04
Neder. Midd. 6½ 83 Fl	75	94⅛	95	0	+0⅛	8.01
New Zealand 6¾ 84 Fl	75	94⅞	95⅛	+0⅛	+0⅛	7.85
Norway 6½ 83 Fl	100	93⅛	94⅛	0	0	8.25
OKB 6⅛ 85 Fl	75	90⅛	91⅛	+0⅛	0	8.45
Elf Aquitaine 9¾ 88 FFr	150	99⅛	100⅛	0	+0⅛	9.74
EIB 9¾ 88 FFr	200	100	100½	0	+0⅛	8.89
PSA Peugeot 9¾ 87 FFr	175	100⅛	100⅝	0	0	9.66
Unilever 10 85 FFr	100	101⅛	102⅛	0	+0⅛	9.57
BAT 8 88 LuxFr	250	97	98	0	0	8.38
Bayer Lux. 8 88 LuxFr	250	97⅛	98⅛	0	+0⅛	0.40
EIB 7¾ 88 LuxFr	250	96⅛	97⅛	+0⅛	+0⅛	8.25
EIB 8 91 LuxFr	600	—	—	—	—	—
Finland I. F. 8 88 LuxFr	250	96⅞	97⅞	0	+0⅛	8.40
Norway 7¾ 83 LuxFr	250	97⅜	98⅛	0	+0⅛	8.39
Norges Km. 8 88 LuxFr	500	99⅛	100⅛	0	0	8.04
Renault 7¾ 88 LuxFr	500	97	97⅛	0	0	8.15
Solvay Fin. 8 85 LuxFr	500	100⅛	101⅛	0	+0⅛	7.77
Swedish Bk. 8 88 LuxFr	500	99⅛	100⅛	0	+0⅛	8.03

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Arab Intl. Bk. M8.5 93	0⅛	98	98½	31/7	11.44	11.58
AFG Fin. Co. M5.5 88	0⅛	98⅛	98½	12/7	12.4	12.64
Bco. El Salvador M8 83	1⅛	97⅛	98⅛	12/4	11.31	11.54
Bco. Nac. Argnt. M8 83	0⅛	99⅛	99⅛	21/7	12⅛	12.31
Bank Handlowy M8 88	1⅛	97⅛	97⅞	25/11	12.94	13.27
Bank of Tokyo M5½ 93	0⅛	97⅛	97⅞	18/4	10⅛	10.77
Banque Worms M6¾ 85	0⅛	98⅛	98⅞	15/6	12	12.20
Bq. E. d'Alg. M8.375 84	0⅛	96⅛	97½	0/2	9⅛	9.95
Bq. E. d'Alg. M7.5 85	0⅛	95⅛	96½	2/5	12⅛	13.32
Bq. Indo et Suez M5½	0⅛	98½	99	26/7	12	12.16
Bq. I. Afr. Occ. M6.6 83	0⅛	97⅛	97⅞	12/7	12.4	12.70
CCCE M5.25 98	0⅛	97⅛	98⅛	3/8	11⅛	11.82
Ch. Man. O/S M5¼ 93	0⅛	97⅞	98⅛	27/7	11.73	11.96
Credit National M5¼ 88	0⅛	98	98½	11/7	12.31	12.53
Gotabanken M6 88	0⅛	98⅛	98⅞	15/5	12.31	12.49
Ind. Bk. Japan M5½ 85	0⅛	99½	100	1/6	12.35	12.38
Ljubljanske M7.75 85	1	96⅛	97½	18/7	12.94	13.32
LTCB Japan M5¼ 85	0⅛	99⅛	99⅞	3/5	12.06	12.11
Midland Intl. M5½ 93	0⅛	98⅛	98⅞	20/7	12⅛	12.42
Nat. West. M5½ 90	0⅛	98⅛	99⅛	21/8	12⅛	12.63
Nipp. Crdt. Bk. M5.5 85	0⅛	100⅛	100⅜	22/6	12.81	12.77
OKB M5¾ 88	0⅛	100	100½	18/4	10.56	10.54
Offshore Mining 86	0⅛	98⅛	99⅛	12/7	12.15	12.30
Petro Mexicana 7¾ 84	0⅛	98⅛	99⅛	24/7	12.06	12.20
Privredna Banka M8 86	0⅞	96⅛	96	22/6	13.44	14.05
Standard Chrt. M5.5 90	0⅞	97⅛	97⅞	10/2	9.94	0.10
Sundsvallsbnkn. M6 85	0⅛	97⅛	97⅞	4/4	10.06	10.32

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Asico 5¾ 83	9/78	628	104⅛	105⅛	0	13.35
Bakor Int. Fin. 6½ 93	1/79	34	102⅛	103⅛	−0⅛	7.06
Boots 6¾ 93	2/79	2.18	89⅛	90½	−0⅛	−1.67
Coca-Cola Bottling 6¾	4/78	3	90⅛	91⅞	−0⅛	26.17
Ito-Yokado 5¾ 83	6/78	1473	123⅛	124⅛	−0⅛	−3.20
Novo Industri 7 89	4/79	259	90⅛	92	+0⅛	12.39
Texas Int. Air. 7¾ 93	4/79	14.5	89½	90	−0⅛	16.92
Thorn Int. Fin. 7 88	11/78	3.67	97⅛	98⅛	+0⅛	0.33
Tyco Int. Fin. 8½ 88	8/78	21	98⅛	100	−0⅛	10.25
Tyco Int. Fin. 5 84	5/78	61.5	76	77⅛	0	169.28
Asahi Optical 3½ DM	12/78	588	90	91	+0⅛	2.81
Casio Cp. 3½ 85 DM	11/78	841	94⅛	95½	−1⅛	2.58
Izumiya 3½ 86 DM	10/78	989	91⅛	92⅛	0	−3.28
Jusco 3½ 88 DM	1/79	1270	92⅛	93⅛	+0⅛	11.30
Kansai Elec. 4 84 DM	4/79	135	92⅛	93⅛	+0⅛	−89.72
Konishiroku 3½ 85 DM	1/79	612	92⅛	93⅛	+0⅛	6.88
Marudai Food 3¼ DM	2/79	1033	92⅛	93⅛	−1⅛	9.27
Murata M. 3¼ 86 DM	11/78	864	96⅞	98⅛	−1⅛	−4.67
Nipp. Air. 3.0 88 DM	12/78	508	87⅛	88⅛	−0⅛	−0.89
Nippon Shinpan 3¼ DM	8/78	738	99	100	−2⅛	−1.93
Nippon Yen. 3½ 86 DM	1/79	261	94⅛	95½	0	2.00
Nissan Diesl. 3½ 88 DM	2/79	477	91⅛	92⅛	+0⅛	10.28
Olymp. Opt. 3½ 85 DM	2/79	703	96⅛	97⅛	−1⅛	−2.48
Ricoh 3½ 88 DM	10/78	617	95⅛	96⅛	−1⅛	13.04
Sanyo Electric 3½ DM	11/78	295	91⅛	92⅛	−0⅛	−5.18
Seiyu Strs. 3¾ 80 DM	9/78	1275	107⅛	108⅛	−0⅛	−6.77
Sharp Co. 3½ 88 DM	2/79	487	93	94	−1	−4.68
Stanley Elec. 3½ DM	11/78	623	91⅛	92⅛	−0⅛	11.01
Tokyo Elec. 3½ 87 DM	4/79	476	93⅛	94⅛	−0⅛	−1.22
Trio-Knwd. 3½ 86 DM	11/78	711	89⅛	90⅛	−0⅛	21.22

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

EUROPEAN MOTOR INDUSTRY

Daimler-Benz warns of changes

BY GUY HAWTIN IN FRANKFURT

DAIMLER-BENZ, the West German quality car and commercial vehicle manufacturer, is expecting "satisfactory results" for 1978 with profits running at the previous year's level. For 1977 the group reported a net of DM 445m ($239.2m) which was well up on 1976's DM 392m.

The year's out-turn, according to a shareholders' circular published today, would have been even better had it not been for the metal workers' strike early last year that cost the company 25,000 cars and 5,000 commercial vehicles in lost production. At the same time the group had to contend with increases in personnel costs and rising overheads.

Meanwhile, Professor Joachim Zahn, chairman of the group's executive board, at a private meeting in Frankfurt on Monday, warned the German Motor industry against excessive optimism. The industry would have to go through radical changes in the next few years, he said.

The challenge from Japan remained strong, he said, while even fiercer competition could come from the U.S. in the near future. Tighter environmental legislation in America was forcing the U.S. manufacturers to invest heavily in new plant to turn out European-style cars.

Daimler, he said, had "a better than average chance" of meeting new market conditions—one advantage being experience in diesel technology. Of the cars produced by the group last year 44.7 per cent were diesel powered, compared with 41.3 per cent in 1977.

Group turnover rose by 4.4 per cent—from DM 25.9bn to DM 27bn ($14.54bn) — at Daimler last year despite a decline in unit output. Strongest sales growth came from the group's overseas subsidiaries. The German parent concern's sales rose from DM 21.15bn to DM 21.95 bn.

Capital investment during 1978 totalled DM 1.3bn against DM 1.1bn. The bulk of it is earmarked for West German plants. Domestic capital investment amounted to DM 1.1bn, compared with just under DM 900m in 1977.

The main target of the capital programme was increasing production capacity in the car sector. Considerable sums have also been allocated for improving product and manufacturing quality on the commercial vehicle side.

The current year should see a substantial increase in group sales. In the car sector, the order book remains full and demand both at home and abroad continues strong. Increased capacity has led to group projections of an 8 to 10 per cent increase in output this year which will bring car production up to 420,000 units.

Motor Iberica waves the Spanish flag

BY DAVID GARDNER IN BARCELONA

THE CONSOLIDATION of what remains of the national motor industry in Spain into a truly competitive force is foreseen by Motor Iberica, the Barcelona-based truck and tractor manufacturer. "The passenger car industry in Spain may have missed its chance" but the operations of Motor Iberica are still capable of being utilised as the nucleus for a major commercial vehicle industry.

At present, Motor Iberica is 36 per cent owned by the troubled Canadian company, Massey-Ferguson. As part of a programme of international retrenchment, Massey is apparently trying to dispose of its investment (worth some $50m) in Motor Iberica, and there is a strong possibility that the shareholding will eventually move into the hands of INI, the Spanish state holding company.

Such a deal would leave Motor Iberica wholly in Spanish hands, a prospect that contrasts strikingly with the ownership structure of the rest of the national motor market.

Seat, the country's main car manufacturer which is 35 per cent owned by the state holding company INI, is in the process of negotiating the transfer of a controlling shareholding to Fiat which already holds 36 per cent of Seat. The rest of the car industry is firmly in the grip of the multinationals.

In the commercial vehicle sector INI is considering the sale of its 67 per cent shareholding in Enasa, the country's largest producer of medium and heavy duty trucks and buses. INI's 25 per cent stake in Mevosa, which produces light commercial vehicles and is already 43 per cent owned by Daimler-Benz, is also up for sale.

Aside from Seat, which expects losses of around Pta 3bn for last year, Motor Iberica is the only motor company which even approaches its multinational competitors both in volume of output and return on capital.

Motor Iberica claims an annual production capacity of 45,000 vans and trucks, 35,000 tractors, and 125,000 motors. In money terms it has tripled its turnover and doubled its profits in the past four years. Sales topped Pta 41bn in the year ending last November, a 23 per cent advance on 1977, and gross profits charged at Pta 1.25bn compared with Pta 1.11bn.

Despite the recession, the high cost of credit, and regularly increased dividend payments, Motor Iberica's cash-flow position has steadily improved, from Pta 1.94bn in 1977 to Pta 2.01bn last year.

Motor Iberica's success has been achieved through a policy of cautious expansion, balancing internal with external sources of finance, coupled to an aggressive commercial policy. Second, it has concentrated on specific ends of the market, such as light commercial vehicles and vans, which it dominates with some 40 rate in Spain last year.

Third, it has had the technology to carry out gradual improvements on its products, and claims to have developed technology independent of Massey-Ferguson.

Massey-Ferguson's major present contribution to Motor Iberica seems to be through its foreign sales network, in exchange for Motor Iberica's nearly 600 dealers and service points throughout Spain. The Spanish company has prudently set about establishing its own foreign outlets, siting marketing subsidiaries in Europe as well as Latin America.

This will be crucial if Massey-Ferguson pulls out, since exports account for about a sixth of Motor Iberica's sales.

Now that the plan for transferring Enasa into multinational hands appears to have been shelved, recent talks between INI and Motor Iberica are thought to have broached the possibility of consolidation into one large commercial vehicle unit.

German Esso out of red

HAMBURG — Esso A.G., the West German unit of Exxon of the U.S., produced net profits of DM 252m ($135.5m) in 1978, a result that contrasts sharply with a 1977 loss of DM 56m.

Sales, at DM 12.6bn, were virtually unchanged, while oil sales increased 2 per cent to 20.3m metric tons and natural gas sales were up 10 per cent to 7.5bn cubic metres.

Capital spending at Esso AG mounted to DM 430m last year, an increase of 7 per cent over 1977. About DM 157m or more than one-third of all 1978 spending, went into research for new energy resources while about DM 111m were spent for investments in the refinery sector.

Spending for the refinery sector was still triple that of 1977, because "production of light heating oils had to be increased to save energy and at the expense of heavy duty fuel oils."

The weakness of the dollar, which made crude oil imports into Germany less expensive, plus continued rationalisation enabled Esso AG to eliminate its previous losses in production and distribution which had earlier amounted to DM 16 per ton.

AP-DJ

Volume expands at DG Bank

FRANKFURT — Business volume of Deutsche Genossenschaftsbank, the head institute of West Germany's co-operative banking system, rose 21.5 per cent in 1978 to DM57.1bn ($30.7bn) at the end of December, with the group balance-sheet total expanding by 23 per cent to DM53.3bn.

The bank reports that earnings developed satisfactorily in 1978. Overall group credit volume was 19.2 per cent higher at DM37.8 bn.

Finmeccanica sales revenue up

BY PAUL BETTS IN ROME

FINMECCANICA, THE mechanical and engineering subsidiary of the giant state holding company Istituto per la Ricostruzione Industriale (IRI), reported yesterday a 24.6 per cent increase in net sales revenue last year compared to 1977. Sales last year rose to L2,678bn ($3.18bn) compared to L2,150bn the previous year with exports accounting for 43.6 per cent or L1,142bn of the total.

Finmeccanica also reported a 20.3 per cent rise in new orders totalling L3,166bn at the end of December compared to L2,633bn at the end of the previous year.

Despite continuing financial and structural difficulties, there was a 28.8 per cent rise in the net turnover of Alfa Romeo, the automobile group controlled by Finmeccanica. Alfa Romeo and Alfasud sales last year amounted to L1,328bn compared to L1,031bn in 1977, with exports accounting for 51.9 per cent of the total. This was a 15 per cent increase on the previous year.

In the Finmeccanica energy sector, the Genoa-based Ansaldo Group reported a 29.4 per cent increase in turnover from L410bn in 1977 to L531bn last year. However, the Ansaldo-Sigem engineering group's sales in this sector dropped from L174bn in 1977 to L168bn last year.

As regards Aeritalia, the aerospace division of Finmeccanica and Italy's leading concern in this sector, turnover increased by 49.9 per cent to L188bn last year compared to L135bn in 1977.

Aeritalia recently signed a major risk-sharing participation agreement with the U.S. Boeing Group for the production and development of the Seattle concern's new 767 medium-range passenger carrier.

All the figures released by Finmeccanica, however, must be set against a 12 per cent annual inflation rate in Italy last year. At the same time, the increasing volume of export sales on the Group's overall turnover indicates in part the continuing difficulties of the domestic market despite an apparent recovery in domestic output during the last few months.

The improved 1978 sales figures for the Alfa Romeo car Group reflect the gradual recovery of the aotomobile market here after the 1973 energy crisis.

Finmessanica also reported yesterday thet its workforce increased from 84,780 people at the end of December 1977 to 86,181 at the end of last year.

V en D to boost U.S. holding

By Charles Batchelor in Amsterdam

HOLLAND'S largest retail chain, Vroom en Dreesmann, will take a substantially larger shareholding in the U.S. company Dillard Department Stores Inc. than was originally planned.

V en D announced 12 months ago that it would acquire 34 per cent of the Little Rock, Arkansas, company's capital in three equal annual instalments. However, V en D has recently acquired 500,000 shares from the Tandy family, the founders of Tandy Corporation, as well as the second tranche of 340,000 newly issued shares as agreed last year. Thus if V en D takes up the third tranche of shares next year it will hold 1.52m of the 2.95m shares in issue giving it a stake of 51 per cent.

Hagemeyer has profit setback

AMSTERDAM — Hagemeyer NV, the Dutch-based international trading company, has indicated that its 1978 net profit will not be more than half its 1977 earnings of Fl 18.5m ($9.2m).

The drop in earnings will have "some effect" on tha dividend payout for the year, the company said. In 1977, Hagemeyer paid Fl 6 per share of Fl 20 nominal.

Earnings in the 1978 fourth quarter wera "substantially lower" due to losses in the industriol sector in Belgium and the Netherlands.

Meanwhile the European Options Exchange will introduce new KLM Royal Dutch Airlines series from February 8.

The series will be April, July and October with strike prices of Fl 100.

Agencies

Accountancy merger progress

BY MICHAEL LAFFERTY

TALKS among some of the largest accounting firms in Europe and North America aimed at forming a major new international accounting group may well be complete by the end of March.

This is the view of Mr. Lionel Kent, chairman of McLintock Main Lafrentz, one of the principal parties to the discussions. Mr. Kent spent the earlier part of this week holding talks in London with Thomson McLintock, the leading UK accounting firm which is one of the principal members of McLintock Main Lafrentz.

He is now in continental Europe where he is meeting senior partners from Klynveld Kraayenhof, the largest Dutch accounting firm, and Deutsche Treuhand, the second largest accounting firm in Germany. The object of the discussions is to find some way of bringing the two European firms within the McLintock Main Lafrentz organisation.

Other substantial European accounting firms may also be included in the latest talks, particularly since the Dutch and German accounting firms are strong believers in the idea of developing a major European accounting group to counter the influence of the U.S.-dominated Big Eight firms.

Among these are Fiduciare de France, the largest French accounting firm. Fides of Switzerland is another firm which has been considered for inclusion. But it now seems that its ownership by tha Swiss Credit Bank would have presented independence problems for the North American firms.

Mr. Kent says he is confident that the current talks will prove successful. At the very latest the matter should be concluded by July.

Asked whether the talks could lead to a merger in the U.S. betwaen Main Lafrentz and Hurdman and Cranstoun, the U.S. firm which is currently linked to Klynvald Kraayenhof and Dautsche Treuhand, Mr. Kent admits this is a possibility. At stake could be the audit of Philips, tha Dutch multinational which currently audited jointly by Klynveld Kraayenhof and Hurdman.

MEDIUM-TERM LOANS

Agip Nucleare raising $50m in two tranches

BY FRANCIS GHILES

AMONG a number of medium size loans are currently being arranged, Agip Nucleare International is raising $50m in two tranches carrying the guarantee of Agip SpA, the wholly owned subsidiary of ENI. The first tranche amounts to $40m for 4½ years with three years grace. It carries e spread of ⅞ per cent over Libor and will be syndicated.

The second tranche carries similar terms except for the maturity which is five years but it will be privately placed. Joint managers of this operation are Standard Chartered Merchant Bank, Soditic, Banque Internationale a Luxembourg and Landesbank Rheinland-Pfalz un Saar Int. Another loan, in the form of a two tranche $100m ten year operation is being arranged: the first tranche which amounts to $40m is for Agip Nucleare International while the second is for the Hydrocarbons Bank, a subsidiary of ENI.

Both tranches carry identical conditions: a spread of ⅞ per cent for the first five years rising to ? per cent with four years grace. Joint lead managers are Lloyds Bank International and S. G. Warburg.

Spanish borrowers also remain active. Eurovias is raising $43m for eight years with four years grace through e group of banks led by Sumitomo Finance Int. The loan is 75 per cent guaranteed by the Kingdom of Spain. On the guaranteed tranche the borrower is paying a spread of ⅞ per cent

Iberduero is arranging a $100m ten year loan with four years grace and a spread of ⅞ per cent throughout with a group of banks led by Banco de Vizcaya.

Another Spanish borrower, Fenosa has arranged a Yen denominated loan amounting to Y8bn for sixteen years through a group of banks led by Long Term Credit Bank of Japan. The borrower is paying a rate of interest of 7.6 per cent.

Portuguese borrowers are very active in negotiations for a number of loans, the most interesting of which is tha $100m operation for the Caixa Geral de Depositos. Finer terms than hitherto obtainable by Portugal could well be achieved.

The state controlled motorways company, Brisa, is arranging a $50m seven year loan with 42 months grace and a spread of 1½ per cent throughout. This club deal is being arranged by three banks, Marine Midland, Banco Totta e Acores and Banco Fonsecas e Burnay.

Bank of Japan lifts curbs on yen

BY CHARLES SMITH IN TOKYO

THE BANK OF JAPAN has decided to lift the last of the major restraints on short-term foreign currency movements which were introduced in November, 1977, with the object of curbing "excessive" foreign speculation in favour of the yen.

This involved the imposition of a 50 per ceot interest free reserve requirement on increases in free yen deposits acquired by Japanese banks. With the removal of the 50 per cent ruling the reserve requirement on such deposits now goes back to 0.25 per cent.

The Bank of Japan slapped a 50 per cent reserve requirement on free yen deposits at the height of the first major round of yen speculation and then increased the margin to 100 per cent in March last year. Io the middle of last month it once again cut the margin to 50 per cent.

Later in January the Government partially relaxed a ban on foreign purchases of short-term Japanese bonds. A ruling introduced in March, 1978, had hanned the purchase by foreigners of bonds with maturity periods of five years and one month or less. The limit now stands at one year and one month.

The Bank of Japan decided to lift the restraints because of greater stability in the foreign exchange market (with the dollar recently floating at just above the $1 equals Y200). The restraints could be re-imposed in the event of reoewed instability or serious weakness of the dollar.

Japan Intnl. Bank ahead

By Our Financial Staff

THE LONDON-BASED consortium Japan International Bank, reported pre-tax profits for 1978 of £3.1m against £3.0m for 1977. Total assets increased to £383m from £381m. A dividend of 5 per cent is proposed.

The bank was formed in 1970 hy the Fuji, Mitsuhishi, Sumitomo and Tokai hanks, and three securities companies—Daiwa, Nikko and Yamaichi.

High CD yields stir interest

TOKYO—Japanese Corporations are already showiog an active interest in deploying their fuods in yen-hased negotiahle certificates of deposits which Japanese and foreign banks are expected to place around April for the first time, Tokyo hankers report.

This is hecause CD yields are likely to be around 4.5 per cent per annum for six month issues. Such a return is noticeahly higher than the present fixed 3.75 per cent for aix month time deposits and ahout the same as present rates on the Gensaki market, a relatively free repurchase market for bonds.

Leading corporations have large surplus funds which they are investing in the Gensaki and other markets because they are as yet undecided about increasing capital outlay on plant and equipment.

The Finance Ministry and the Federation of Bankers Associations are working out details of the plan to allow hanks to place CDs in line with recommendations made by the Financial System Research Council, an advisory hody, late last year.

The plan provides for CD's for periods np to six mooths at completely free yields, hut within quotas set hy the finance ministry for individual banks, according to the federation.

The question of how to set the quotas is still under consideration, but one proposal is that it be hased on 25 per cent of the owned capital of a Japanese bank, including its capital stock, capital reserves, and other surpluses.

This will make the CD issne quota for a top-class Japanese bank around Y100bn, the Federation said.
Reuter

Club Mediterranee on 'black list'

CAIRO — Egypt's Ministry of Tourism will cancel the contract of the French company Club Mediterranee to run a Cairo hotel because the company is on the Arab League black list, according to the semi-official newspaper Al-Ahram.

The newspaper said the Ministry of Tourism had been told by the Arab League Boycott Office that the company was on the black list, which includes companies dealing with Israel.

Neither the Ministry nor the company could confirm the report. Club Mediterranée has had the hotel contract since 1967.
Reuter

Bovis SE Asia seeks rights issue

SINGAPORE—Bovis South East Asia proposes a three-for-five rights issue to shareholders at par of one ringgit per share to raise additional capital of 25.65m ringgits ($11.7m).

The parent company, P & O Asia (Holdings), which owns 68.06 per cent of the shares, indicated that it would take up its rights and would also purchase at cost any shares taken up under an underwriting agreement covering the balance of the issue.

Bovis shareholders will be asked to approve the issue and an increase in authorised capital to 71m ringgits from 45m ringgits at an extraordinary meeting soon.

Bovis announced in December that it proposed an injection of fresh funds to improve group finances, after persistent trading losses.

Its last capital increase, a one-for-two rights issue in January, 1977, was 99 per cent taken up by P & O Asia (Holdings) as underwriters.
Renter

General Motors-Holden plans new Australian engine venture

BY JAMES FORTH IN SIDNEY

GENERAL MOTORS-HOLDEN plans an A$210m (US$239m) complex to produce four-cylinder engines as part of the U.S. parent's global strategy to produce a "world car." The scheme envisages a plant with capacity to turn ont 300,000 engines a year, hut an annual production of 240,000 engines.

About two-thirds of the ontput would be armarked for export to affiliated General Motors plants overseas, mainly to Europe. The proposal is being studied by the Australian Governmeot, hut GMH wants a decision by the end of the month. If approval has not heen obtained by then, the plant may be located elsewhere, prohably at a GM plant in the UK (Vauxhall) or continental Europe (Opel).

First deficit

The proposal was announced along with the news that the company had incurred a trading loss of A$1.2m (US$1.4m).

This was a substantial improvement on the A$11.7m trading loss incurred in 1977, the company's first deficit in its 30 years of operations in Australia. The result in both years was a loss of A$8.4m after allowing for extraordinary items; a tax benefit of A$3.7m in 1977 from stock valuation adjustment and A$7.2m provision in the latest year for a donbtful export account relating to earlier years' trading.

The managing director of GMH, Mr. C. S. Chapman, said that studies had demonstrated that an engine plant of the size envisaged would be internationally cost competitive, except for the burden of freight costs. The company believed the proposal represented a positive and constructive approach to the need to restructure the Australian motor industry in line with the economic realities of the domestic and global markets.

Mr. Chapman said that this restructuring would bave to take place gradually and progressively to permit the industry as a whole to make the necessary adjustments.

The proposal, however, is likely to draw some criticism from other manufacturers, because it involves changes to the existing local content scheme. GMH maintains that for the scheme to work, the government would havo to allow a credit for the value of GMH exports towards the company's local content commitments.

"In the absence of such approval, there would be no ecooomic justification for the massive new investment required to establish the engine module—mainly because of the freight penalties," Mr. Chapman said.

"Our whole strategy for the future revolves around becoming more internationally competitive in terms of both vehicle design and price. Engines produced in the proposed plant would he incorporated in modern, fuel efficient, compact cars throughout the eighties.

"We estimate that it would add about A$1,000 to the retail price of such cars if we were to attempt to produce them from facilities geared solely to Australian domestic volumes."

He said GMH had consistently stressed the need for Australian vehicle makers to develop significant export markets

Sales at peak

The 1978 loss was incurred despite a rise in group sales from A$726m tu a peak of A$895m. Sales of units, including exports, rosc hy 12.1 per cent to 157,333, reflecting increased penetration of a larger total Australian vehicle market. GMH achieved 26 pcr cent of total vehicle registrations in 1978, the highest full year market share for five years and the 26th consecutive year of market leadership.

Profit rise for Israel Petrochemical

By L. Daniel in Tel Aviv

ISRAEL Petrochemical Enterprises of Haifa said its gross profit rose to I£30.5m ($1.7m) in the first half of 1978 from I£12.6m in the same period of 1977.

It thus exceeded the gross profit for the whole of 1977, which was I£26.8m. The company's report, submitted to the Stock Exchange, does not shed light on results in the secood half of the year, however, when heavy expenses were incurred in connection with the completion of the company's expanded polyethylene plant.

This has not yet heen put ioto operation as the plant has not received the larger nnantities of ethylene schednled to arrive from the Haifa refineries.

Israeli building orders increase

By Our Tel Aviv Correspondent

SOLEL BONEH, the coostruction subsidiary of the Israel Lahour - Federation and the country's largest huildiog concern, expects to carry out work to the value of I£18bn ($1bn) this year, of which I£8.5bn will be projects abroad, according to its director-general, Mr. Sbraga Rothman.

The company will have to hire an additional 1,000 workers and existing labour will have to increase productivity hy 5 per cent, be added.

Canadian bank in HK

MONTREAL—Bank Canadian National said it has opeoed a regional office in Hoog Koog and formed BCN-Asia, a wholly owned subsidiary based in Hong Kong AP-DJ reports from Montreal.

The new office is to develop business with companies and governments in South-East Asia and the Pacific, while the snbsidiary is to oversee credit operations.

Weeks defers U.S. flotation

MELBOURNE.—The Board of Weeks Petroleum bas concloded the timing is not right for its proposed new issue and the listing of its shares in the U.S. and it bas deferred the matter for later review.

As reported a year ago, the Bermnda-based company planned to increase anthorised capital to $13m from $7.5m and make a 12-for-one share consolidation hefore publicly offering shares in the U.S.

Weeks, whose main asset is a royalty stake in the Bass Strait offshore oil/gas fields, also reported a higher 1978 after-tax profit of A$4.39m against A$3.1m.
Reuter

Hong Kong to set SE merger deadline

HONG KONG—The Hong Kong Government will set a deadline for the voluntary merger of the colony's four stock exchanges after which it would introdoce legislation to force their amalgamation.

Financial Secretary Mr. Philip Haddon-Cave is expected to set a deadline of January 1, 1980, for a voluntary merger of the Hong Kong, Far East, Kam Ngan and Kowloon stock exchanges during next week's legislative council session.

Talks on the amalgamation of the four exchanges have been going on for some two years, bnt have come to a standstill in the past few months.

The Government has been pushing for the merger since early 1977, and Mr. Haddon-Cave has said it would consider legislation if there was no tangible evidence of progress on the matter.

But with the complete lack of progress in recent months it has now decided to set a firm deadline after which it would force the merger.

The government has argued that a merger would benefit shareholders and dealers as well as the regulatory authorities by bringing abont a broader and less erratic market and eliminating differences in trading and listing practices on the four exchanges.

Official inter-exchange trading began in August, 1977, as the working party set np by the exchanges made progress towards the goal.

In February last year the exchanges agreed to merge by 1980, with discussions centring on the smallest of the exchanges, the Kowloon and Kam Ngan markets, moving on to the trading floors of the Far East and Hong Koog exchanges respectively.

The principal stumbling block towards full unification, however, has heen lack of a possible site for a single trading floor, with neither the Far East or Hong Kong exchange's floors hig enough to accommodate a significant number of additional traders.
Reuter

S. AFRICAN METAL RE-TREATMENT

Ergo in the firing line

BY JIM JONES IN JOHANNESBURG

CONTROVERSY is growing in Johannesburg over some of the more ambitious gold/uranium re-treatment projects started in the past few years. It is a controversy made all the more intense by the apparent reluctance of the company involved, Anglo American Corporation, to give more than minimal details of its operations.

In the Oraoge Free State, Anglo's six gold mines are all participants in the Joint Metallurgical Scheme (JMS) which is re-treating slimes accumulated after earlier gold recovery to win residual amounts of gold, uranium and pyrite.

At the time of its inauguration, the scheme was hailed as one of the industry's greatest breakthroughs. Now, on the available evidence of the quarterly reports, it is in trouble. Uranium recoveries are apparently well below initial expectations, although Anglo deoies rumours that production is so far behind plan that sales contracts are baving to be renegotiated.

Meanwhile, flotation problems in the critical gold/pyrite circuits have resulted in such low gold recoveries that it is debatable whether the participating mines will earn enough to repay the important coosumer loans nsed to finance the operation. Of course they can repay the loans, but perhaps not entirely from JMS profits.

In the firing line now is the publicly quoted East Rand Gold and Uranium (Ergo) project which started re-treating some 380m tonnes of accumulated slimes from old mines on the East Rand. Initial estimates given in Ergo's 1977 prospectus were conservative, but so general as to be little use to analysts trying to evaluate the project.

Ergo has been a stock market favourite since it was first quoted in 1977. This was based on the not unreasonable assumption that it did not suffer from the risks attaching to normal gold mining operations—so much so that one U.S. broker suggested that the operation be rated by investors as a chemical company.

As a result of unconfirmed information recently published in the South African Financial Mail, it is now being argued that recoveries of gold, uranium and pyrite are far below Anglo American's expectations and that there is no early solution to the problems in sight.

Compared with public announcements that the project would treat slimes at an average annual rate of 18m tonnes, the table indicates that this is well below initially expected levels.

Anglo claimed that annual prodnction would average 5,400 kilograms of gold, 150 tonnes of uranium and 530,000 tonnes of sulphuric acid over Ergo's first 20 years of operations. Treating higher grade dumps first meant that, in the initial years, gold production would reach 7,000 kilograms and uranium 200 tonnes.

Higher-grade slimes dams are being treated, but with recoveries thus far much lower than expected, Ergo's target of reaching full schednled recovery by July 1978 is far from being reached. In the nine months to end-December, uranium recovery rates averaged only 72 per cent of the planned level, while gold recovery has yet to reach 50 per cent of the target.

Improvement on this performance is likely to be a drawn-out affair, by which time the benefits of treating higher-grade slime dams first will have disappeared.

Against this there is the argument that technical improvements will boost uranium recoveries beyond initially-planned levels. But by turning down a 1977 proposal to increase annual uranium output to 300 tonnes at a cost of R8m ($9.2m), Anglo has indicated its wariness of additional expenditure for what could be doubtful returns.

HOW ERGO PERFORMED

Quarter ending	PLANNED Treatment	PLANNED Production Gold	PLANNED Production Uranium	ACTUAL Treatment	ACTUAL Production Gold	ACTUAL Production Uranium
	000 tonnes	kg	tonnes	000 tonnes	kg	tonnes
June, 1978	4,333	1,654	51.87	3,511	587	26.1
Sept., 1978	4,430	1,911	51.15	4,150	919	40.9
Dec., 1978	4,673	2,077	56.66	4,033	1,135	47.9
March, 1979	4,542	2,067	55.56			

CURRENCIES, MONEY and GOLD

Companies and Markets

Dollar remains depressed

The dollar fluctuated nervously in the foreign exchange market yesterday, but trading was within a fairly narrow range, and market volume was less heavy than on Monday. One or two central banks may have intervened to support the dollar, but this was not noticeable in the relatively quiet trading. There were no few factors influencing the market, but nervousness about the situation in Iran continued to depress the U.S. currency.

The dollar eased to DM 1.8600 against the D-mark, from DM 1.8650 on Monday, and to SwFr 1.6840 from SwFr 1.6900 in terms of the Swiss franc. The highest level touched against the Japanese yen was Y199.90, before the dollar closed at Y199.00, compared with Y199.80. The dollar's trade-weighted depreciation, as calculated by Morgan Guaranty of New York, widened to 8.4 per cent from 8.1 per cent.

Sterling opened at $1.9900, and soon fell to a low point of $1.9890, but then rose to $1.9965 in the morning. After easing back to $1.9925 soon after mid-day, the pound rose to a best level of $1.9970 in the afternoon, and closed at $1.9945-.9955, a rise of 55 points on the day.

The pound's trade-weighted index, on Bank of England figures, rose to 63.4 from 63.3, after standing at 63.4 at noon, and 63.3 in early trading.

NEW YORK—The dollar was slightly firmer than in early European trading, after the sharp fall on Monday. The currency was helped by the relative calm in Iran and by profit taking. Although there may have been some support for the dollar by various central banks, including the Federal Reserve.

TORONTO — The Canadian dollar rose to 83.71 U.S. cents from 83.60 cents in moderate trading. There seemed to be little reaction to the comments of the governor of the Bank of Canada, when he said that the technical position of the dollar was now very strong, and that the Canadian economy is now very competitive with the rest of the world.

FRANKFURT—The Bundesbank did not intervene as the dollar fell to DM 1.8600 against the D-mark, from DM 1.8847 at the fixing. After falling to a low point of DM 1.8565 the dollar recovered slowly in very quiet and thin trading. Although there was no sign of support for the dollar by the German authorities yesterday morning, it was suggested that the Swiss National Bank may have intervened.

PARIS— The dollar improved in late trading, but tended to ease towards the close, after rising in the early afternoon on buying in New York. The U.S. currency finished at FFr 4.2770, compared with FFr 4.4825 at noon, and FFr 4.2700 in the morning. The late Monday rate was FFr 4.2800. The French franc was little changed against the D-mark and Swiss franc, but sterling was very firm. The pound rose to FFr 8.5330 from FFr 8.5100.

AMSTERDAM — The dollar rose to Fl 2.0100 in late trading, from Fl 2.0080 at the fixing, and compared with Fl 2.0210 at *Monday's fixing.*

MILAN — The lira lost ground against the yen and most European currencies, but improved against a generally weaker U.S. dollar. The D-mark rose to L450.91 from L450.11 at the fixing, and the Swiss franc was also firmer. The U.S. currency was fixed at L839.20, compared with L843.45 on Monday, with the Bank of Italy buying dollars at the fixing, where the number of dollars traded totalled $17.4bn.

TOKYO — The dollar fell sharply, to close at Y198.95 against the yen, compared with Y201.77½ on Monday. The decline reflected the dollar's earlier weakness in Europe and the U.S., while news that the Bank of Japan is to completely lift restrictions on the reserve requirements on foreign-held free yen deposits.

The U.S. currency opened at Y199.50, and drifted lower, until the Bank of Japan announcement drove it down sharply.

THE POUND SPOT / FORWARD AGAINST £

Feb. 6	Bank rate %	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S. $	9½	1.9850-1.9978	*1.9945-1.9955	0.55-0.45c pm	5.01	1.63-1.53c pm	3.17
Canadian $	11¼	2.3765-2.3805	2.3850-2.3840	0.65-0.55c pm	3.02	1.80-1.80c pm	3.10
Guilder	6½	3.99½-4.02¼	4.00½-4.01½	2½-1½c pm	5.24	7¼-6¼c pm	6.86
Belgian F	6	58.25-58.65	58.40-58.50	30-20c pm	5.15	85-75c pm	5.47
Danish K	8	10.25½-10.31½	10.29½-10.30½	1½ ore pm-½ ore dis	-1.16	3½-1½ ore pm	0.87
D-mark	5	3.69½-3.75	3.71-3.72	3⅝-2⅝ pf pm	9.29	9⅝-8⅝ pf pm	9.83
Port. Esc.	18	94.00-94.90	94.05-94.45	40-110c dis	-10.19	55-255c dis	-0.58
Span. Pes.	8	138.50-139.85	138.70-139.30	50-80c dis	-4.70	85-185c dis	-5.89
Lira	10½	1,671½-1,679½	1,674½-1,675½	1½ lire pm-½ lire dis	-0.79	4½-2½ lire pm	0.84
Nrwgn. K.	7	10.17-10.27	10.19½-10.20½	5-3 ore pm	4.70	15½-11½ ore pm	4.60
French Fr.	9½	8.51-8.54½	8.51½-8.52½	4½-3½c pm	0.63	15-12c pm	5.87
Swedish Kr	6½	8.71-8.76	8.74½-8.75½	4-2 ore pm	4.11	12-10 ore pm	0.03
Yen	3½	395-405	396½-399½	4.00-3.75y pm	11.70	11.20-10.85y pm	11.09
Austria Sch	3¾	27.10-27.27	27.22-27.27	20-10 gro pm	6.61	58-48 gro pm	7.78
Swiss Fr.	1	3.34½-3.38	3.35½-3.36½	5⅞-2⅞c pm	12.04	11⅝-10⅝c pm	13.23

Belgium rate is for convertible francs. Financial franc 59.45-59.55. * Close for U.S. $ on Feb. 6 should read: 1.9890-1.9900.

Six-month forward dollar 3.05-2.95c pm, 12-month 5.10-5.00c pm.

THE DOLLAR SPOT AND FORWARD

Feb. 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK	1.9890-1.9970	1.9945-1.9955	0.55-0.45c pm	3.01	1.63-1.53c pm	3.17
Ireland	1.9890-1.9970	1.9945-1.9955	0.55-0.45c pm	3.01	1.63-1.53c pm	3.17
Canada†	83.52-83.75	83.67-83.70	0.02c dis-par	-0.38	0.04-0.01c dis	-0.17
Nethlnd.	2.0037-2.0120	2.0070-2.0100	0.59-0.54c pm	3.39	1.95-1.90c pm	3.89
Belgium	29.25-29.39½	29.25-29.28	5⅞-4⅞c pm	2.23	19-17½c pm	2.49
Denmark	5.1400-5.1645	5.1620-5.1645	0.50-1.00ore dis	-1.37	2.75-3.25ore dis	-2.24
W. Ger.	1.8590-1.8650	1.8595-1.8605	1.02-0.97pf pm	7.02	3.15-3.10pf pm	6.87
Portugal	47.10-47.33	47.18-47.33	27-37c dis	-3.13	50-115c dis	-6.98
Spain	69.48-69.65	69.60-69.66	30-44c dis	-5.84	95-115c dis	-0.11
Italy	838.20-840.25	839.50-840.25	1.50-1.90lire dis	-2.76	4.50-5.00lire dis	-2.41
Norway	5.0970-5.1145	5.1135-5.1145	0.85-0.45ore pm	2.02	2.30-1.90ore pm	1.63
France	4.2665-4.2790	4.2700-4.2720	1.10-1.00c pm	3.22	3.00-2.85c pm	2.87
Sweden	4.3670-4.3895	4.3850-4.3965	0.60-0.40ore pm	1.47	2.35-2.15ore pm	1.94
Japan	198.80-199.80	199.10-199.30	1.50-1.40y pm	8.37	4.00-3.88y pm	8.08
Austria	13.61½-13.66	13.65-13.66	6.75-6.00gro pm	3.02	19½-17½gro pm	5.49
Switz.	1.6795-1.6895	1.6865-1.6875	1.38-1.34c pm	10.37	4.34-4.30c pm	10.44

† U.S. cents per Canadian $.

CURRENCY RATES

February 5	Special Drawing Rights	European Unit of Account
Sterling	0.644806	0.675912
U.S. dollar	1.28155	1.34295
Canadian dollar	1.53427	1.60844
Austrian schilling	17.5797	18.3937
Belgian franc	37.7705	39.5466
Danish krone	6.63074	6.94573
Deutsche Mark	2.39983	2.51333
Guilder	2.58001	2.71208
French franc	5.51387	5.78964
Lira	1080.99	1132.78
Yen	258.873	269.188
Norwegian krone	6.56282	6.87765
Peseta	89.4022	93.5513
Swedish krone	5.63369	5.89454
Swiss franc	2.17671	2.27802

CURRENCY MOVEMENTS

February 6	Bank of England Index	Morgan Guaranty changes %
Sterling	63.40	-40.8
U.S. dollar	84.36	- 8.4
Canadian dollar	78.78	-13.8
Austrian schilling	146.88	+19.7
Belgian franc	114.75	+13.4
Danish krone	116.90	+ 7.9
Deutsche Mark	150.02	+41.9
Swiss franc	193.46	+90.8
Guilder	124.72	+20.9
French franc	99.54	- 3.8
Lira	54.33	-49.2
Yen	146.00	+43.9

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

Feb. 6	£	$		£ Note Rates
Argentina Peso	2,115-2,133	1059-1069	Austria	26.75-27.70
Australia Dollar	1.7580-1.7630	0.8812-0.8837	Belgium	59-60
Brazil Cruzeiro	42.83-43.83	21.47-21.97	Denmark	10.25-10.35
Finland Markka	7.91-7.92½	3.9649-3.9794	France	8.48-8.58
Greek Drachma	71.802-73.333	35.89-39.77	Germany	3.65-3.70
Hong Kong Dollar	9.50¼-9.56¼	4.7882-4.7957	Italy	1,660-1,710
Iran Rial	151.50-161.50	76½-81½	Japan	395-405
Kuwait Dinar (KD)	0.541-0.561	0.2712-0.2762	Netherlands	3.98-4.08
Luxembourg Frc.	58.40-58.50	29.29-29.01	Norway	10.15-10.25
Malaysia Dollar	4.39-4.40¼	2.2005-2.2068	Portugal	90-99
New Zealand Dlr.	1.8905-1.8965	0.9476-0.9506	Spain	139.75-144.75
Saudi Arab. Riyal	6.64-6.74	3.3293-3.3784	Switzerland	3.30-3.40
Singapore Dollar	4.33-4.34½	2.1704-2.1767	United States	1.9850-1.9950
Sth. African Rand	1.7231-1.7460	0.8637-0.8792	Yugoslavia	41-43

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

Feb. 6	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.993	3.715	397.5	9.523	3.363	4.008	1976.	2.384	58.45
U.S. Dollar	0.501	1.	1.868	199.2	4.272	1.685	2.009	839.9	1.195	29.30
Deutsche mark	0.269	0.537	1.	107.0	2.294	0.908	1.079	450.9	0.642	15.73
Japanese Yen 1,000	2.516	5.019	9.346	1000.	21.44	9.459	10.08	4214.	5.996	147.0
French Franc 10	1.173	2.341	4.359	466.4	10.	3.946	4.702	1966.	2.797	68.58
Swiss Franc	0.297	0.593	1.105	118.2	2.535	1.	1.199	498.1	0.709	17.38
Dutch Guilder	0.250	0.498	0.927	99.19	2.127	0.839	1.	416.0	0.595	14.59
Italian Lira 1,000	0.597	1.191	2.216	237.5	5.067	2.007	2.393	1000.	1.425	34.90
Canadian Dollar	0.420	0.837	1.559	166.8	3.576	1.411	1.687	709.7	1.	24.02
Belgian Franc 100	1.711	3.415	6.356	680.1	14.58	5.753	6.859	2890.	4.078	100.

EURO-CURRENCY INTEREST RATES

Feb. 6	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 day's notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The following nominal rates were quoted for London dollar certificates of deposit: one month 10.35-10.45 per cent; three months 10.55-10.65 per cent; six months 10.85-10.95 per cent; one year 10.90-11.00 per cent.

Long-term Eurodollar deposits: two years 10⅝-10⅞ per cent; three years 10⅝-10⅞ per cent; four years 10⅝-10⅞ per cent; five years 10⅝-10⅞ per cent; nominal closing rates. Short-term rates are call for sterling U.S. dollars and Canadian dollars: two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

Further Fed intervention

Monday's overnight repurchases by the Fed helped to keep Treasury bills firm yesterday. Despite intervention, a couple of banks found themselves rather short and when Fed funds touched 10 3/16 per cent, the Fed made overnight repurchase agreements. However funds continued to firm and a second round was made at 10¼ per cent. The shortage may have been exacerbated by the settlement of last Wednesday's one-year bills dated February 5, 1980. In later trading Fed funds continued to firm to 10¼-10⅜ per cent. Treasury bills were quoted at 9.15 per cent for 13-week, 9.31 per cent for 26-week and 9.27 per cent for one-year bills.

FRANKFURT. — Interbank money market rates showed a rather mixed trend yesterday, with call money at 3.95-4.05 per cent, up from Monday's level of 3.9-4.0 per cent. One-month money was easier however at 3.75-3.9 per cent compared with 4.0-4.1 per cent and the three-month rate stood at 4.05-4.2 per cent against 4.1-4.2 per cent. Six-month money was quoted at 4.15-4.3 per cent from 4.2-4.3 per cent while 12-month money rose from 4.45-4.55 per cent to 4.5-4.7 per cent.

PARIS—Interest rate continued to harden yesterday and call money rose to 6¾ per cent from 6⅝ per cent previously. One-month money was also firmer at 6⅜-6½ per cent compared with 6 5/16-6 7/16 per cent and three-month rate was up at 6⅞-6 15/16 per cent from 6 13/16-6 15/16 per cent. The rates for six- and 12-month money were unchanged at 6 15/16-6 13/16 per cent and 7¼-7½ per cent respectively.

BRUSSELS—Deposit rates for the Belgian franc (commercial) were generally firmer with one-month deposits rising to 8⅜-8⅝ per cent from 8½-8⅜ per cent and three-month deposits firming to 8½-8⅝ per cent compared with 8 7/16-8 11/16 per cent. Six- and 12-month rates were unchanged at 8½-8⅝ per cent.

AMSTERDAM — Interbank money market rates were easier throughout, with call money at 7¼-7½ per cent compared with 7⅞-8 per cent and one-month money also at 7¼-7½ per cent against 7⅜-7⅞ per cent. The three-month rate fell to 7½-7¾ per cent from 7⅝-7⅞ per cent and six-month money was unchanged at 7¼-7½ per cent.

GOLD

Slight fall

Gold fell $½ to close at $243¾-$244½, after touching a high point of $244¼-245. The metal opened at $243½-244¼ and was fixed at $242.55 in the morning. It fell to a low level of $241¾-242¼ shortly before the opening of the New York market, but rose to $244.50 at the afternoon fixing.

In Paris the 12½ kilo gold bar was fixed at FFr 32,850 per kilo ($239.22 per ounce) yesterday afternoon, compared with FFr 32,750 ($238.62) in the morning, and FFr 32,500 ($234.99) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 14,500 per kilo ($242.47 per ounce), compared with DM 14,375 ($238.87) previously.

	February 6	February 5
Gold Bullion (fine ounce)		
Close	$243¾-244½	$244¼-245
Opening	$245½-244¼	$236½-237¼
Morning fixing	$242.55 (£121.551)	$238.80 (£120.097)
Afternoon fixing	$244.50 (£122.593)	$243.10 (£122.209)
Gold Coins, domestically		
Krugerrand	$273¼-277¼ (£138-139)	$275-278 (£138½-140)
New Sovereigns	$68¼-70¼ (£34¼-35¼)	$66¾-68¾ (£33½-34½)
Old Sovereigns	$71½-73½ (£35½-36¾)	$70-72 (£35¼-36¼)
Gold Coins, internationally		
Krugerrand	$251-253 (£125¾-126¾)	$250½-252½ (£126-127)
New Sovereigns	$63½-65½ (£31¾-32¾)	$62-64 (£31¼-32¼)
Old Sovereigns	$68¼-70¼ (£34¼-35¼)	$70-72 (£35¼-33¼)
$20 Eagles	$312-317	$306-310
$10 Eagles	$169-174	$167-172
$5 Eagles	$115-120	$115-119

UK MONEY MARKET

Moderate assistance

Bank of England Minimum Lending Rate 12½ per cent (since November 9, 1978)

Trading in yesterday's money market seemed to be somewhat quieter than Monday, and after a flat forecast, the authorities eventually bought a moderate amount of Treasury bills and a small number of corporation bills, all direct from the discount houses. Total assistance was termed as large. Discount houses were paying 11-11½ per cent for secured call loans at the start but closing balances commanded up to 12 per cent.

The market was faced with a slight excess of revenue transfers to the Exchequer over Government disbursements and a small increase in the note circulation. On the other hand, banks brought forward balances a little way above target.

In the interbank market, overnight loans opened at 11⅛-11⅞ per cent and eased on the forecast to 11⅛-11⅝ per cent at which level a lot of the day's business was seen. Funds tended to evaporate during the afternoon and closing balances were taken at 13½-14 per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

Feb. 6 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills Φ	Eligible Bank Bills Φ	Fine Trade Bills Φ
Overnight	—	11⅛-14	—	—	—	11⅞	11-13	—	—	—
2 days notice	—	—	12⅛-12⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	12½	—	—	—	—
7 days notice	—	19-12¼	19½-12⅝	—	13¼	—	11¼-11½	—	—	—
One month	12⅞-12 11/16	15⅛ 15¼	12⅝-13⅛	13⅛-13½	13⅝	15⅝	11⅞-19	12-12⅝	12⅞-12 13/16	10¼
Two months	13 1/16-13 5/16	15⅛-10⅝	—	13⅛-13⅜	13¾	—	19½-12⅞	12½-12⅝	13 1/16	10½
Three months	13¾ 13⅝	13¾-10⅞	13⅝-13⅞	13¼-13⅝	14	—	19¾-12⅞	12⅝-12¾	12⅞-13 1/16	10¾
Six months	13¾-13⅞	13¾-13⅞	13⅛-13¾	13⅛-13⅝	14⅛	—	—	—	13-13 1/16	14
Nine months	13 11/16-13⅞	13 11/16-13 11/16	—	13⅝-13⅞	14	—	—	—	—	—
One year	13 7/16-13⅛	15¼-10⅜	13⅛-13⅝	13¼-13⅞	13¾	—	—	—	—	—
Two years	—	—	13¼-13¾	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. • Long-term local authority mortgage rates nominally three years 13⅞-14 per cent; four years 13½-14 per cent; five years 13¾-13⅞ per cent. Φ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13⅛-13⅞ per cent; four-month trade bills 14 per cent.

Approximate selling rates for one-month Treasury bills 11⅞-12⅛ per cent; two-month 12½-12⅝ per cent; three months 12-12 31/64ths per cent. Approximate selling rate for one-month bank bills 12⅛-12⅜ per cent; two-month 12 13/16-13 1/16 per cent; and three-month 12 7/16-12 9/16 per cent; one-month trade bills 13⅛ per cent; two-month 13⅝ per cent; and also one-month 13¾ per cent.

Finance House Base Rates (published by the Finance Houses Association) 12½ per cent from February 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 10 per cent. Clearing Bank Rates for lending 12½ per cent. Treasury Bills: Average tender rates of discount 12.4961 per cent.

MONEY RATES

NEW YORK

Prime Rate	11.5-11.75
Fed Funds	10.3125
Treasury Bills (13-week)	9.15
Treasury Bills (26-week)	9.31

GERMANY

Discount Rate	3
Overnight Rate	4.0
One month	3.825
Three months	4.125
Six months	4.225

FRANCE

Discount Rate	9.5
Overnight Rate	6.875
One month	6.6875
Three months	9.78125
Six months	6.875

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.375
Bills Discount Rate	4.825

BUILDING SOCIETY INTEREST RATES

GREENWICH (01-858 8212)

281 Greenwich High Road, Greenwich SE10 8NL.

Deposit Rate 6.45%. Share Accounts 6.10%. Sub'pn. Shares 9.25%. Interest paid quarterly on shares/term shares. Monthly Income Shares 6.10%.

LONDON GOLDHAWK (01-995 8321)

15/17 Chiswick High Road, London W4 2NG.

Sub'pn. Shares 9.75%*. Deposit Rate 7.75%. Share Accounts 8.50%*. 3 months notice 9.00%*. Term Shares 9.50%*, 3 yrs.; 9.25%*, 2 yrs.; 9.00%, 1 yr.; * Includes 0.25% Centenary Bonus throughout 1979.

Moscow Narodny's Far East flop

BY JAMES BARTHOLOMEW

MOSCOW Narodny Bank's activities in the Far East during the Seventies are emerging as one of the most bizarre financial/political adventures of the decade.

The tale involving the bank, Russian-owned but based in London, has received very little coverage in the British Press. No single dramatic event has caught the headlines and there has been a shortage of substantiated information. Nevertheless, it has gradually emerged, in dribs and drabs, and further disclosures are not far away.

The Russian-owned bank made vast loans in the Far East in the early 1970s, many of which have now gone very sour indeed. Variously the courts of Singapore, Hong Kong, London and California are, or are about to be, awash with suits brought by or against Moscow Narodny. The losses incurred by the bank run into hundreds of millions of dollars. It is like the secondary banking crisis in the UK only with added international political significance.

Trojan horse

Gradually more and more of the bare facts are becoming known through the multitudinous writs being issued throughout the world. But the interpretation of these facts remains difficult. Was Moscow Narodny a communist bank which became over-excited when let loose in the capitalist world? Or was it something more sinister, possibly a political device designed to enter the Far East in an apparently innocent way but with the hidden intention of increasing Russian influence in the area—a latter day Trojan horse?

The Moscow Narodny Bank was registered in London in 1919, soon after the Russian Revolution. Its purpose was to finance trade with the USSR and provide a point of financial contact. In the 1960's it joined in the development of the Euro-dollar market, a branch was opened in Beirut and, in 1971, another was opened in Singapore.

The man put in to manage the Singapore branch was Teo Poh Kong, a Singaporean of Chinese origin who made his name with a local bank, the United Overseas. He started building up the Moscow Narodny branch extremely fast both in terms of lending and foreign exchange dealing. A large proportion of its lending was to property and property development companies. MNB soon became one of the biggest lending banks in Singapore, its loans and advances at their height exceeding £400m.

But in 1975, as the full impact of the world recession was being felt, the first of MNB's major customers found itself in difficulties. The Mosbert group was involved in property dealing, finance, insurance, commodity trading, transportation, shipping, logging and plantations. It included more than 25 group companies with activities in Hong Kong, Singapore, Malaysia, Brunei, the U.S., Australia and elsewhere. Some of these were quoted in Hong Kong and Singapore and together were capitalised at US$100m at one time. It borrowed around US$70m from MNB.

The bank withdrew its support for Mosbert after the Monetary Authority of Singapore, a Government agency, expressed concern over MNB's lending to Mosbert and others. The ailing group was put into the hands of the receiver.

Over the next two years, many other foreclosures followed. And behind them came a mass of writs and counter-claims in London and the Far East. As the full extent of the branch's losses emerged, the bank introduced stricter controls from the head office in London. Lending from the branch was curtailed and Teo Poh Kong, the manager, removed.

Moscow Narodny has never given any indication of the total losses suffered by its Singapore branch. The figure is hidden in the British report and accounts of the company through the device of bank guarantees. One or more of MNB's shareholding banks has guaranteed the bad and doubtful debts of the Singapore branch. So the losses are effectively passed up to the Soviet state banks, out of the view of the West.

This has left the field open for speculation—of which there has been a great deal. The highest estimate so far seems to be that of a British newspaper which reckoned the losses to be "about £400m." This would appear much too high, bearing in mind that the figure is almost equal to the branch's highest ever lending figure. MNB's company secretary, Mr. Nicholas Ferguson, said the estimate was "wildly exaggerated." "Some one must have added in the date," he said.

For political and financial reasons, some people have been trying to influence how this chain of events is interpreted. Most conspicuously, certain customers on whom MNB foreclosed want to suggest that MNB did not behave as a reasonable bank should. If they can establish this then they hope they can successfully sue MNB for damages.

Undue haste

Mr. Edward Wong Wing Cheung, usually known as "Eddie" Wong, is one such customer. MNB lent him U.S.$44.5m, most of it in connection with the development of a luxury resort and recreational centre in Lantau Island, Hong Kong. Now that MNB has foreclosed on him, Wong is suing the bank for U.S.$100m, claiming anticipated profits as well as the difference between what MNB sold the assets for and their "true" value.

Wong maintains that in his case MNB showed undue haste in foreclosing because it was embarrassed by publicity about the loans for the Hong Kong project. He alleges that Russia did not want to be seen to be trespassing on China's doorstep.

In China itself, the Press has declared that MNB was being used to increase the political clout of Russia in South East Asia. They have even gone so far as to suggest that MNB lent to enterprises with a prior intention of foreclosing on them to obtain their assets. The Far Eastern Press has willingly contemplated this idea and pointed to the land which is currently owned by MNB as a result of foreclosures. The Far Eastern Economic Review last July said that Moscow Narodny controlled more than 1m square feet of land in Singapore alone.

The trouble with this theory is that the foreclosures have brought a great deal of adverse publicity on MNB. The status of its Russian owners has been damaged rather than augmented. The ownership of land has brought MNB no influence and the bank's claim that it is disposing of it as fast as is practicable is supported by the fact that several sales have already taken place.

The true explanation may simply be that Teo Poh Kong, the manager of the branch, overstepped the mark in the confident atmosphere of the early 1970s, as many other bankers did all over the world.

Further elucidation may come from the court cases which are in the pipeline. For several years after the collapse of Mosbert, its head, Mr. Amos Dawe, hid out in the Far East. He claims he was attacked by KGB agents and on arrival in San Francisco last September asked for police protection and offered to tell all he knew about MNB, and both Moscow's and Singapore's attitude to it.

Meanwhile, Mr. Dawe is embarking on a legal war with MNB. His San Francisco lawyers are orchestrating a worldwide series of writs against the Russian bank. Two already issued in London are to be followed by more in California, London and Australia. Dawe's main complaint is against MNB's treatment of him in respect to the Mosbert Group. He has made a general claim for assets which, he says, belonged to him personally and which were put into the Mosbert Group. Their value is said, by Breen and Parks Law Corporation, his lawyers, to be up to $100m.

The same lawyers have also complained that MNB has "abnormal" control over the official receiver of the Mosbert Group. The Official Receiver should represent all the creditors and shareholders without preference, the lawyers say. The Official Receiver is in fact someone who has acted as MNB's legal adviser. He is Mr. Dennis Lee, brother of Mr. Lee Kuan Yew, Singapore's Prime Minister.

Perhaps we will never know the real motivation behind MNB's adventure in the Far East. But whether MNB was primarily moved by political or commercial considerations, of one thing we can be sure. The enterprise was a disaster. In commercial terms it was a pathetic failure and in political terms a source of acute embarrassment to the Russian state.

Most banks would be bankrupt after suffering the sort of losses experienced by MNB. It only survives because the strength of the Russian state banks has been put behind it.

LEGAL NOTICES

No. 00287 of 1979

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. *In the Matter of* SLEASELL LIMITED and in the Matter of THE COMPANIES ACT, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 25th day of January 1979, presented to the said Court by BROOKE BOND OXO LIMITED whose registered office is situate at Leon House, High Street, Croydon, CR9 1JQ, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 26th day of February 1979, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

Wm. F. PRIOR & CO.,
Temple Bar House,
23/28, Fleet Street,
London, E.C.4.
Ref: PO/8434.
Solicitors for the Petitioner.

NOTE—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 23rd day of February 1979.

No. 00149 of 1979

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of PHOENIX SECURITIES LIMITED and in the Matter of THE COMPANIES ACT, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was on the 17th day of January 1979, presented to the said Court by THE BOROUGH COUNCIL OF SANDWELL of Town Hall, West Bromwich, Sandwell in the County of West Midlands, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London, WC2A 2LL on the 19th day of February 1979, and any creditor or contributory of the said Company desirous to support or oppose the making of an Order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

SHERWOOD & CO.,
Queen Anne's Chambers,
41, Tothill Street,
Westminster, London, SW1H 9LG
Ref: AJR/L 2876A
Tel: 01-930 7203
Agents for:
G. A. HADLEY,
Town Clerk and Solicitor,
Town Hall, West Bromwich,
Solicitor for the Petitioner.

NOTE—Any person who intends to appear on the hearing of the said Petition must serve on, or send by post to, the above-named notice in writing of his intention so to do. The notice must state the name and address of the person, or if a firm the name and address of the firm and must be signed by the person or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 16th day of February 1979.

CLUBS

BOND DRAWINGS

NEW ZEALAND
6¾% Sterling/Deutsche Mark Bonds 1982

S. G. WARBURG & CO. LTD., announce that Bonds for the nominal amount of £551,700 have been drawn in the presence of a Notary Public for the redemption instalment due 14th March, 1979.

The numbers of the Bonds drawn are as follows:—

£450 Bonds

10287 to 10814	11420 to 11496	11741	11746 to 11748	11750 to 11785
11800 to 11803	11808 to 11812	11819	11821 to 11828	11830
11835 to 11838	11844	11857 to 11861	11863 11864	11873 to 11912
11917 to 11933	11947	11949 to 11951	11981 to 11991	11994 to 11998
12000 to 12009	12015 to 12027	12049 12050	12080 to 12090	12097
12128 to 12134	12151 12152	12154 to 12156	12173 12174	12181 12182
12190 12192	12201 to 12206	12221 to 12239	12241	12244 to 12247
12259	12263 to 12278	12285 to 12288	12290 to 12296	12312
12332 to 12341	12343 to 12347	12351	12354 to 12357	12364 to 12393
12397 to 12403	12405 12406	12420 to 12438	12459 12461	12465 to 12469
12477 12480	12483 to 12488	12488 12489	12491 to 12493	

£90 Bonds

16891 to 17047	17086 to 17091	17093 to 17098	17101 to 17136	17147 to 17159
17163 to 17168	17177 to 17179	17182 to 17189	17195 to 17197	17201
17215 to 17224	17229 17230	17239 17240	17244 to 17249	17292 to 17296
17312 to 17323	17328 17329	17336 to 17340	17344 to 17363	17414 to 17490
17495 to 17513	17520 to 17537	17540 17541	17546 to 17573	17578 to 17609
17630 to 17632	17637 to 17686	17689 17696	17697	17698 to 17714
17720 to 17725	17729 to 17740	17742 to 17769	17772 to 17777	17791 to 17796
17799	17804 to 17826	17832 17833	17835 17838	17847 to 17894
17896 17897	17898 to 17903	17908	17910 to 17920	17923 to 17931
17937 to 17939	17941 to 17947	17950 to 17972	17977 to 17979	17983 to 18001
18006 to 18008	18012 18013	18035 to 18038	18055 to 18064	18085 to 18089
18100	18106 18107	18110 to 18132	18134 18137	18140 18142
18145 to 18163	18166 to 18168	18171 18172	18174 to 18178	18181 to 18190
18194 to 18204	18207 to 18212	18214 18220	18238	18256 to 18263
18287	18275 to 18278	18294 to 18298	18306 to 18374	18377 to 18499
18501 to 18505	18507 to 18509	18511 to 18548	18557 to 18580	18562 to 18577
18579	18581 18582	18582 to 18598	18600 to 18606	18610 to 18655

On 14*th March*, 1979, *there will become due and payable upon each Bond drawn for redemption*, the principal amount thereof, together with accrued interest to said date at the office of:—

S. G. WARBURG & CO. LTD.,
30, Gresham Street, London EC2P 2EB.,

or with one of the other paying agents named on the Bonds.

Interest will cease to accrue on the Bonds called for redemption on and after 14*th March*, 1979. Bonds so presented for payment must have attached all coupons maturing after that date.

£1,683,000 nominal Bonds will remain outstanding after 14th March, 1979.

The following Bonds drawn for previous redemptions have not yet been presented for payment:—

Redemption 14th March, 1977

£450 Bond No's: 2343 to 2346

£90 Bond No's: 23857 to 23866 : 24136

Redemption 14*th March*, 1978

£450 Bond No's: 370 : 371 : 5718 : 5732

£90 Bond No's: 22784 : 22795 to 22797 : 22822 : 23317 to 23321

30 *Gresham Street*, London, *EC2P 2EB*.

7th February, 1979.

PUBLIC NOTICES

THE BURGOYNE COMMITTEE ON OFFSHORE SAFETY

The Secretary of State for Energy has recently announced the appointment of this Committee, with the following terms of reference:

"To consider so far as they are concerned with safety, the nature, coverage and effectiveness of the Department of Energy's regulations governing the exploration for and development and production of oil and gas offshore and their administration and enforcement. To consider and assess the role of the Certifying Authorities. To present its report, conclusions and recommendations as soon as possible."

The Committee needs factual information, views and suggestions on the matters covered by these terms of reference.

Anyone wishing to submit evidence should do so by 16 March, 1979. Submissions should be sent to Mr. David Posson, Secretary, Offshore Safety Inquiry, Department of Energy, Room 1379, Thames House South, Millbank, London, S.W.1. (Telephone 01-211 5627 or 4354) from whom further information about the scope of submissions can also be obtained.

SUFFOLK COUNTY COUNCIL BILLS

£3,000,000 Bills issued 8/2/79 maturing 9/5/79 at 12¼% applic. tot. £23,000,000 and there are £6,000,000 Bls. outstanding.

EDINBURGH D.C. PROMISSORY NOTES

£1,500,000 Bills maturing on the 27th April 1979 were offered and issued on the 26th January 1979 at an average rate of 12¼% p.a.

Total applications for this issue amounted to £7,500,000 and there are £3,500,000 Bills outstanding.

GLASGOW DISTRICT COUNCIL

Bills issued 7-2-79, £3.0m at 12.43/64ths%, £1.7m at 12¼% maturing 9/5/79. Applications totalled £21.1m. Bills outstanding £8.4m.

ART GALLERIES

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● BANKING

Burroughs wins a big TSB award

CONTINUING its successful progress through the Trustee Savings Bank area, Burroughs has won the award from TSB South East.

Equipment ordered includes two large central computers plus over 800 visual display keyboard units and represents a very considerable extension of the bank's customer and management data information network in London, south eastern counties and the Channel Islands. The main computing centre is at Crawley, Sussex and implementation of the extension programme will continue throughout the current year and into 1980.

Displays will be placed on branch counters and allow cashiers to obtain immediate information on the balances of over 3m accounts held by customers.

Other display units will be used throughout the day to send important information immediately to the main machines.

The bank chose displays rather than printing terminals for passbook updating because of its heavy involvement with cheque accounts and lending services.

This £3½m contract is additional to a further £13m (plus) of Burroughs equipment either installed or ordered by the Savings Banks during the past 12 months. Largest of these is the £10m order from TSB Computer Services for terminals. Three other medium to large scale computers are in the list.

Burroughs is at Heathrow House, Bath Road, Cranford, Hounslow, Middlesex TW5 9QL. Telephone 01-759 6522.

● INSTRUMENTS

Measuring made simple

YET ANOTHER instrument design has taken advantage of the benefits of the microprocessor, this time a new electronic component measuring bridge from Wayne Kerr, Durban Road, Bognor Regis, West Sussex PO22 9RL (02433 25811).

The front panel of the instrument presents no more than a five-digit liquid crystal display (with measured units identified) and 11 push-buttons. Nevertheless, the bridge, designated B605, can measure inductance, capacitance, resistance, Q-factor and its reciprocal, and covers all values likely to be encountered in electronic and electrical engineering; the capacitance range for example, extends to 160 millifarads.

All measurements are referred to a single quality standard resistor, resulting in a basic accuracy of 0.1 per cent; readings appear within 300 milliseconds.

User actions consist of no more than connecting the component across the terminals (or to a cable connected quick-attachment device for production work), pressing the parameter button and choosing the frequency (three buttons, 0.1, 1.0 or 10 kHz).

Depression of an autorange button will then make the B605 select the right range, which will be held for subsequent measurements and until the button is pressed again.

A useful facility is "autotrim," which instructs the instrument to take four readings on each of the three frequencies, store the results and average them.

Wayne Kerr has achieved a high level of speed and convenience in the B605; the controls are concerned only with the desires of the user, not with making adjustments that allow the instrument to do its job—these have all been taken over by the micro.

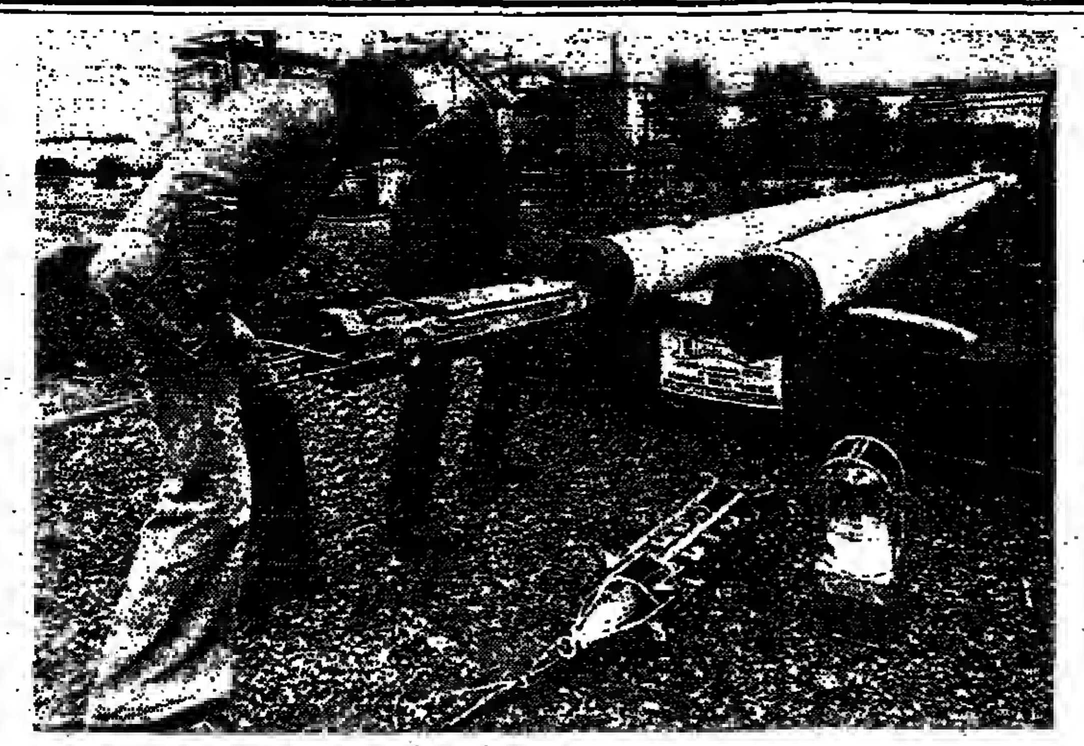
Indicates machine usage

BASED ON a purpose-built subminiature motor, the CH6 industrial hours counter measuring only 36 x 24 x 50 mm has been introduced in the UK from Switzerland by Camerer Cuss and Company, 54 New Oxford Street, London, WC1A 1ET (01-636 4861).

The units have been developed from an earlier series designed to military requirements; they are highly resistant to vibration and shock and are unaffected by temperatures between −20 and +65 degrees C. Mean time between failures is put by the company at 50,000 hours.

Three models are offered, with five figure "milometer" displays registering up to 99,999 hours, or a tenth, or a hundredth of this. The range also covers voltages from six to 48 volts dc, and six to 440 V ac, 50 or 60 Hz.

With an acid and corrosion proof Noryl casing, the counters are tamperproof and of the non-reset type. Installation is by insertion through a panel cut-out, the unit then being held in position by the front flange and a pressure friction clamp.



Oilfield Inspection Services of Great Yarmouth (0493 57464) is now offering a pipeline inspection service using a device called the Mini-Crawler and shown here being lifted into a 10 inch pipeline. The remotely-controlled Mini-Crawler travels inside the pipeline and takes X-ray photographs of welds. Control is by means of a small radio isotope source. In the foreground is a recovery vehicle (operated by compressed air) which can be sent into the pipe in the event of the Mini-Crawler breaking down. Also in the foreground is a beacon which emits an audible and visual signal when X-ray "firing" is taking place.

● HANDLING

Opens bags without dust

DEVELOPED IN Belgium is equipment intended to allow manufacturers cleanly to open bulk bags containing powdery and other products, which normally cannot be handled without the generation of considerable amounts of dust.

Many of the materials used in manufacturing operations can be harmful to workers and Belgian designers have provided for the transport, cutting and emptying equipment to operate in an air-tight enclosure, which can, if required, be maintained at a pressure lower than atmospheric to ensure that no materials will escape into the plant.

Basic to the sack opener are a conveyor, circular cutters, mobile sack grippers to empty the bags, a hopper, empty bag disposal unit and the appropriate electrical and pneumatic automation units.

If users desire, they can also instal a feeder-conveyor, a unit to destroy and compress the emptied bags and a vacuum unit, among other options.

Further details from Ateliers de Constructions Mécaniques, A. Colinet SA, B-7078 Le Roeulx, Belgium.

● BROADCASTING

Keeps track of stations

MARKED improvements in the performance of Swiss-built radio signal recording equipment by Rhode and Schwartz are reported by the company following the introduction of a new aluminium - based recording paper which has extremely high contrast and increased sensitivity.

Used with the company's ZSG3 unit, the paper takes traces from signals picked up within a selected frequency band by a receiving system at speeds up to a maximum of 20 cm per second.

Traces are in the form of closely spaced horizontal lines, producing a continuous record in the direction of the time axis for the duration of the transmission.

Operation of the unit is easy through its simple controls and the paper can be inserted and removed without difficulty.

Rhode and Schwartz, Muhldorfstrasse 15, Postfach 801469, D-8000 Munich 80, German Federal Republic.

● FINISHING

Coating for aluminium

A PROCESS known as Lea Decoral, essentially a chemically produced oxide coating for aluminium components, has been introduced by The Lea Manufacturing Company of England, Tongue Lane, Fairfield, Buxton, Derbyshire SK17 7LG.

The coating readily accepts dyes of any colour, including black, and the colours can be consistently reproduced.

Unlike anodising and other methods of finishing, says the company, the process retains surface electrical conductivity and so has applications in the electrical industry.

In addition, the oxide film is extremely thin and does not affect mechanical tolerances — important in the critical components used for example, in the fastener industry.

● PLASTICS

Alternative to copper

A PLASTICS pipe which can be used as a cheaper alternative to copper—for hot and cold water and central heating installations—has been developed by Stewarts and Lloyds Plastics of Huntingdon, part of the British Steel Corporation's Tubes Division. The pipe will be marketed under the trade name Pesalex.

Stewarts and Lloyds say that only after a number of possible materials were evaluated was it determined that only a specially formulated cross-linked polyethylene would be able to produce the consistently high level of test results believed to be essential to guarantee the long-term performance of the system under extreme installation conditions.

The pipe is suitable for constant working at 95 degrees Centigrade and intermittent temperatures of 125 degrees Centigrade.

● MATERIALS

Protection from rust

A NEW anti-corrosion and rust inhibiting lightweight paper has been introduced by Wycombe Marsh Paper Mills of High Wycombe, Bucks. (0494 33400).

The paper, which is intended to give protection against corrosion to small components such as bearings and razor blades, is a chemically impregnated glazed imitation parchment in weights ranging from 30 to 51.5 grams per square metre.

Width of the paper is 1.7 metres and this, of course, can be split into small coils for ease of use.

● ENERGY

Solar cell efficiency

ACCORDING TO Sandia Laboratories there is a prospect of solar cells, using a cascading principle, achieving efficiencies of 30 per cent. The theoretical maximum for an ordinary silicon photovoltaic cell is 22 per cent and an actual 15 per cent has been claimed.

The work is going on at Research Triangle Institute and North Carolina University under a U.S. Department of Energy contract which Sandia is administering.

In the cascade approach, two cells are stacked and joined by an intermediate, electrically shorting layer. When sunlight strikes the device, the high energy portion of the solar spectrum is absorbed and converted into electricity at the top junction. The low energy portion passes through the layers and is converted at the bottom junction.

The laboratory has shown the feasibility of summing the voltages—two volts were measured in a gallium arsenide-based test structure—to give an increased contribution to overall photovoltaic conversion efficiency.

Agreement on Arzew

NEW GAS liquefaction plant at Arzew in Algeria, with a yearly throughput capacity of 1.75bn cubic metres of gas from each of its nine liquefaction lines, is to be built according to technology developed and owned jointly by Technip and Snamprogetti.

Contracts were signed last month in Algiers and the two companies are preparing to supply licences, basic engineering and the cryogenic heat exchangers. The latter are the most sophisticated units to be used and will be built with the know-how of French and Italian companies.

Besides the gas throughput mentioned above, the plant will also have an annual capacity of 580,000 tonnes of propane and 450,000 tonnes of butane.

Preliminary production is scheduled for the third quarter of 1982 at this, the largest plant of its kind in the world, representing an investment of several billion dollars.

Snamprogetti, 20097 Sandonato Milanese, Italy.

● MARKET RESEARCH

Cleaning chemicals

CLEANING practice and usage of cleaning chemicals in breweries, soft drinks plants, their associated bottle washing facilities and in the cleaning of beer handling equipment in public houses are the subjects of the latest market research report produced by Industrial Aids.

Included in the report is a description of the structure and activity of the brewing and soft drinks industries, an outline of the manufacturing processes involved and a discussion of the cleaning practices needed at each stage.

The report is a development of earlier work and one of the results of the latter was a seven volume study "Cleaning and Maintenance Industries in Selected European Countries" (January 1976).

Over 26,000 tonnes of chemicals were used for cleaning by the U.K. brewing and soft drinks industries in 1976, mostly in the form of caustic soda, but also including phosphates, silicates, sequestering and other chlorine release agents, speciality sanitisers and acids. Consumption is projected to total over 32,000 tonnes by 1985 although usage of bottle washing chemicals by breweries is expected to halve by comparison with current levels.

The report costs £85 and is obtainable from Industrial Aids at Terminal House, 52, Grosvenor Gardens, London SW1W OAU (01-730 5288).

● COMMUNICATIONS

From typist to telex

EQUIPMENT IS offered by Delpa Systems (UK), 56 Chiswick High Road, London W4 1SZ (01-995 8301) which enables office typists using ordinary electric typewriters to produce punched telex tape ready for transmission, by-passing telex keyboarding.

Making use of a microcomputer with 16k of data memory, the system can accommodate up to 16 typewriters and can also provide links to computers and peripherals, and with the aid of an acoustic coupler address remote locations.

Basic function is to convert the typewriter signals into the five or eight level codes, which the computer will do at typing speeds up to 200 words/min. It will also allow tabulation, editing, and will carry the necessary conversion of upper and lower case to telex upper case and change fractions and symbols on the typewriter to words. The typist's number and the message length in minutes are also put on the paper tape.

● METALWORKING

Giant Czech hydraulic shears

WORK IS nearing completion on what is thought to be the largest piece of hydraulic shear equipment in the world, under construction at the ZTS Dubnica factory in Czechoslovakia.

Total weight of the hydraulic shears will be 89 tonnes and they will be able to cut steel sheet from 0.5 to 4 mm thick into strips of 0.8 to 6 metres. Cutting accuracy is planned to be 1.6 mm per 1,000 mm. Transverse cutting speeds run from 0.1 to 2.5 metres per second.

Further from Commercial Section, Czech Embassy, 26 Kensington Palace Gardens, London W8. 01-727 3767.

Danes suck swarf away

CENTRALISED swarf disposal equipment, developed in Denmark by Stenstrup, will handle up to 20 tons of swarf, chips and turnings per hour, sucking it up as it is produced at the machine and delivering it to a silo.

This unit has equipment for the recovery of cutting oil and would normally be installed at a high point, either inside or outside the factory.

There is a facility for attaching heads to flexible nozzles so that thorough cleaning of a machine tool and its surroundings is possible.

Vacuum for up to ten suction heads on as many machines is provided through an 18.5 kW motor and the silo may be placed as far as 50 metres from the most distant head.

More from Inter-Trading, Bassett Court, North Nibley, Dursley GL11 6DO. 0453 2888.

London Clearing Banks' balances

as at January 17, 1979

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. Tables 1, 2 and 3 are prepared by the London clearing banks. Tables 1 and 2 cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the banking sector. Table 3 covers the parent banks only. In this, it is comparable with the figures produced by the Bank of England, which show the reserve positions of all the banking sectors subject to credit control. Minor differences here arise from the exclusion from the clearing bank figures of Coutts, a subsidiary of National Westminster but a clearing bank in its own right.

TABLE 1. AGGREGATE BALANCES

LIABILITIES	Total outstanding £m	£m	Change on month £m	£m
Sterling deposits:				
UK banking sector	5,741		+346	
UK private sector	28,759		+306	
UK public sector	558		+ 46	
Overseas residents	2,511		+ 36	
Certificates of deposit	1,766		−141	
		39,335		+593
of which: Sight		16,446		+ 20
Time (inc. CD's)		22,889		+572
Foreign currency deposits:				
UK banking sector	4,542		− 45	
Other UK residents	1,002		−122	
Overseas residents	11,958		−399	
Certificates of deposit	1,188		− 61	
		18,690		−627
Total deposits		58,025		− 34
Other liabilities*		9,327		+104
TOTAL LIABILITIES		67,352		+ 70

ASSETS	Total outstanding £m	£m	Change on month £m	£m
Sterling				
Cash and balances with Bank of England		1,195		−110
Market loans:				
Discount market	1,949		−137	
UK banks	7,162		+154	
Certificates of deposit	721		−146	
Local authorities	1,014		+ 20	
Other	299		− 23	
		11,144		−132
Bills:				
Treasury bills	422		− 1	
Other bills	887		+ 43	
		1,309		+ 42
Special deposits with Bank of England		682		+ 10
Investments:				
British Government stocks	2,146		− 10	
Other	1,424		− 37	
		3,570		− 47
Advances:				
UK private sector	20,586		+1,033	
UK public sector	267		− 9	
Overseas residents	3,185		− 6	
		24,038		+1,018
Other sterling assets*		5,547		− 90
Foreign currencies				
Market loans:				
UK banks and discount market	3,862		−291	
Certificates of deposit	192		− 43	
Other	8,302		−313	
		12,357		−647
Bills		41		− 7
Advances:				
UK private sector	2,142		+ 41	
UK public sector	966		− 22	
Overseas residents	3,439		+ 48	
		6,546		+ 66
Other foreign currency assets*		923		− 33
TOTAL ASSETS		67,352		+ 70
Acceptances		347		+ 4

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

	TOTAL Out-standing £m	TOTAL Change on month £m	BARCLAYS Out-standing £m	BARCLAYS Change on month £m	LLOYDS Out-standing £m	LLOYDS Change on month £m	MIDLAND Out-standing £m	MIDLAND Change on month £m	NATIONAL WESTMINSTER Out-standing £m	NATIONAL WESTMINSTER Change on month £m	WILLIAMS & GLYN'S Out-standing £m	WILLIAMS & GLYN'S Change on month £m
LIABILITIES												
Total deposits	58,025	− 34	15,596	+ 51	11,041	− 60	11,865	+ 29	17,734	− 37	1,789	− 17
ASSETS												
Cash and balances with Bank of England	1,195	−110	352	− 30	183	− 48	274	− 4	353	− 21	32	− 8
Market loans:												
UK banks and discount market	12,973	−274	2,782	− 66	3,091	+ 11	2,082	− 12	4,701	−213	318	+ 8
Other	10,528	−505	3,232	− 77	2,697	−190	1,436	− 18	2,873	−190	289	− 31
Bills	1,350	+ 34	297	− 12	110	− 2	442	− 13	464	+ 61	36	+ 1
Special deposits with Bank of England	682	+ 10	217	—	81	+ 5	158	+ 5	203	—	23	—
British Government stocks	2,146	− 10	497	− 5	443	+ 7	458	− 8	621	− 4	128	—
Advances	30,585	+1,084	8,731	+284	4,638	+165	7,168	+229	9,014	+394	1,033	+ 13

TABLE 3. CREDIT CONTROL INFORMATION (Parent banks only)

	TOTAL Out-standing	TOTAL Change on month	BARCLAYS Out-standing	BARCLAYS Change on month	LLOYDS Out-standing	LLOYDS Change on month	MIDLAND Out-standing	MIDLAND Change on month	NATIONAL WESTMINSTER Out-standing	NATIONAL WESTMINSTER Change on month	WILLIAMS & GLYN'S Out-standing	WILLIAMS & GLYN'S Change on month
Eligible liabilities	25,977	+565	8,018	+273	3,995	+118	6,219	+ 7	6,853	+161	893	+ 8
Reserve assets	3,359	+ 8	1,037	+ 35	500	− 32	808	− 5	900	+ 15	114	− 5
Reserve ratio (%)	12.9	− 0.3	12.9	—	12.5	− 1.2	13.0	− 0.1	13.1	− 0.1	12.8	− 0.7

Banking figures

(as table 9 in Bank of England Quarterly Bulletin)

ELIGIBLE LIABILITIES, RESERVE ASSETS, RESERVE RATIOS, AND SPECIAL DEPOSITS

1—Banks	Jan. 17, 1979 £m	Change on month £m
Eligible liabilities		
UK banks		
London clearing banks	26,115	+550
Scottish clearing banks	2,819	+ 32
Northern Ireland banks	882	+ 10
Accepting houses	1,952	+ 86
Other	6,845	+102
Overseas banks		
American banks	4,055	+163
Japanese banks	298	+ 23
Other overseas banks	2,801	+ 62
Consortium banks	225	− 19
Total eligible liabilities*	45,992	+989
Reserve assets		
UK banks		
London clearing banks	3,378	+ 5
Scottish clearing banks	370	+ 3
Northern Ireland banks	135	+ 2
Accepting houses	274	+ 5
Other	915	− 21
Overseas banks		
American banks	561	+ 1
Japanese banks	43	+ 2
Other overseas banks	427	+ 9
Consortium banks	44	− 2
Total reserve assets	6,137	+ 4
Constitution of total reserve assets		
Balances with Bank of England	395	− 25
Money at call:		
Discount market	3,007	+ 5
Other	209	− 11
Tax reserve certificates	—	—
UK, Northern Ireland Treasury Bills	846	+ 8
Other bills:		
Local authority	161	+ 13
Commercial	836	+ 32
British Government stocks with one year or less to final maturity	683	− 17
Other	—	—
Total reserve assets	6,137	+ 4
Ratio %		
UK banks		
London clearing banks	12.9	− 0.3
Scottish clearing banks	13.1	− 0.3
Northern Ireland banks	15.3	+ 0.4
Accepting houses	14.1	− 0.3
Other	13.4	− 0.5
Overseas banks		
American banks	13.6	− 0.5
Japanese banks	14.6	− 0.1
Other overseas banks	15.2	− 0.1
Consortium banks	19.7	+ 1.0
Combined ratio	13.3	− 0.3
	£m	£m
N.B.—Government stock holdings with more than one year but less than 18 months to final maturity amounted to	392	+ 4
2—Finance houses		
Eligible liabilities	375	− 2
Reserve assets	38.8	− 1.1
Ratio (%)	10.3	− 0.2

Special deposits at January 17 were £1,100m (up £14m) for banks and £11m (unchanged) for finance houses. * Interest-bearing eligible liabilities were £30,086m (up £1,349m).

WORLD STOCK MARKETS

Mixed Wall St. appearance at mid-session

INVESTMENT DOLLAR PREMIUM

$2.60 to £1—94¾% (94¾%)
Effective $1.9950 49½% (48¾%)

WITH THE Wall Street stock market trying to regain its equilibrium after Monday's retreat, shares tended to pick up from an easier opening yesterday to make a rather mixed showing at mid-session after moderate activity.

The Dow Jones Industrial Average, down 10.6 the previous

Closing prices and market reports were not available for this edition.

day, lost about a point more before rallying to $23.98 at 1 pm, unchanged on the overnight level. The NYSE All Common Index was a cent harder at $55.02, after having eased 4 cents more to $54.97, although losses at mid-session retained a narrow lead over gains. Trading volume came to 16.93m shares, below Monday's 1 pm figure of 18.32m.

Analysts said stocks were subsequently helped by a better tone for the dollar and a slight reaction in the price of gold.

However, the impact on the U.S. economy of the cut-off in Iranian oil continued to be a worry for investors, as were predictions of rapidly accelerating inflation and rising interest rates in the next few months.

General Motors picked up ½ to $56. Its fourth-quarter profits rose to a record $1bn. Xerox, however, slipped ¼ despite raising the dividend.

Times Mirror added ¼ at $31 on nearly-doubled fourth-quarter profits. Pan American World Airways' fourth-quarter loss narrowed from a year ago and its annual profit was more than doubled. Pan Am gained ¼ to $6¾.

American Airlines reported an 8 per cent gain in January passenger traffic and added ⅜ at $11⅜.

Volume leader IU International were unchanged at $10⅝. A block of 133,500 shares were traded at $10⅝ and 50,000 shares were moved at $10⅝.

Unitrode advanced 2¼ to $19¼. A block of 130,000 shares changed hands at $18.

Active Baxter Travenol slipped ⅜ to $39 despite improved December quarter profits.

Gaming shares were strong. Bally Manufacturing rose 1⅞ to $59⅞ in active trading. Caesars World added ⅞ to $35⅜ and Harrah's ½ to $22.

THE AMERICAN S.E. Market Value Index was a modest 0.04 lower at 157.95 at 1 pm. Volume 1.67m shares (1.66m).

Resorts International "A" topped the actives list and climbed 2¼ to $38⅜ despite its January net taking declining 8 per cent from the December level. Gulf Canada, a major buyer of Iranian crude oil, lost ¼ to $30¼. Troubles in Iran are hurting its operations.

Canada

After the recent retreat, stocks were firmer for choice in heavy early trading yesterday.

The Toronto Composite Index regained 1.7 to 1,349.3 at noon, while Golds rose 16.8 to 1,580.4, Metals and Minerals 9.2 to 1,211.7, Oils and Gas 5.7 to 1,848.9 and Papers 0.63 to 157.05.

Banks, however, lost 0.89 to 316.57

Hudson's Bay, the most active issue, gained ⅜ to C$22 on 424,496 shares in Toronto, including a 305,000-share block traded at C$22¼, pushing the Merchandising index up more than 10 points.

Tokyo

With investors expressing some concern over the state of the nation's economy and increasing worry about the political unrest in Iran, the Tokyo stock market further retreated over a broad front in fairly active dealings.

The Nikkei-Dow Jones Average relinquished 53.68 more at 6,095.18 and the Tokyo S.E. index reacted a further 3.81 to 453.89. Turnover expanded to 410m shares (310m).

Brokers commented that investors expect that the nation's economic activity will be badly hurt by Saudi Arabia's reported decision to cut oil production for the first quarter of this year and the worsening political situation in Iran.

Partly on the dollar's fall in Tokyo foreign exchange trading, export-related issues and other Blue Chips were predominantly lower.

Steels, Heavy Electricals and Pharmaceuticals fell sharply on heavy liquidations.

Hitachi lost Y8 to Y268, Kawasaki Steel Y5 to Y129, Sony Y30 to Y1,580, Pioneer Electronic Y60 to Y1,970 and Matsushita Electric Y10 to Y686.

Paris

There was a further widespread setback in fairly active conditions, which caused the Bourse Industrial index to fall 1.9 more to 74.2.

Uncertainty surrounding the situation in Iran and associated development, the rise in gold prices to record levels, weakness of the dollar, the overnight decline on Wall Street and fears of additional oil price increases kept Paris investors depressed. Furthermore, the Call Money rate was raised to 6⅝ from 6⅜ per cent.

Significantly weaker issues included Chargeurs Reunis, Carrefour, Bouygues, Pernod-Ricard, Auxiliaire d'Enterprises, Maisons Phenix, Generale de Fonderie, Peugeot Citroen, Club Mediterranee, BIC, Perrier, Redoute, UTA and Skis Rossignol. The few gaining stocks included Presses de la Cite, Primagaz and Dollfus-Mieg.

Germany

Shares generally slipped further in slow trading, leaving the Commerzbank index 4.1 lower at 806.5.

Brokers said the situation in Iran and its possible repercussions on West German companies that are engaged in Iran's industrial development had made an impact on the market.

Except for Steels, which were mostly steady, all other sectors gave ground.

Machinery Manufacturers were outstandingly weak. Deutsche Babcock, 25 per cent-owned by the Iranian Government, was particularly affected, shedding DM 9.90 to close at DM 236. GHH declined DM 3 and MAN DM 1.50.

Among Banks, Deutsche Bank shed DM 2.60 and Dresdner DM 2. Alliance were down DM 6 in Insurances, while Daimler-Benz receded DM 2 and Volkswagen DM 2.30 in Motors.

Among the large Construction concerns which are known to hold Iranian orders, Hoch-Tief fell DM 5 and Holzmann DM 3.80. Electricals had Siemens off DM 1.50 and AEG down DM 1.30. Oils and Utilities closed narrowly lower. In Stores, Kaufhof and Karstadt shed DM 2 apiece.

Public Authority Bonds lost up to 75 pfennigs more despite DM 38.5m nominal of Bundesbank purchases. Mark Foreign Loans also weakened.

Australia

Stocks generally moved further ahead in active trading, with the Sydney All Ordinary index climbing 5.17 to a five-year high of 585.63.

Overseas buyers were particularly attracted to Gold and other Metal Miners, inspired by sharp rises in the prices of gold, silver and other metals on world commodity markets on Monday.

Central Norseman Gold advanced A$1.50 to A$19.70, Emperor 3 cents to 38 cents and Gold Mines of Kalgoorlie 5 cents to 95 cents.

Bougainville Copper rose 9 cents to A$1.92, while MIM were similarly higher at A$3.24. Hamersley gained 8 cents at A$2.40 and North Broken Holdings added 6 cents at A$1.66.

Sugar stocks were strong on a belief that the local price will soon rise. Pioneer Sugar, A$1.55, and Bundaberg, A$3.90, put on 10 cents apiece.

Uraniums also gained ground except for Peko, which lost 8 cents to A$5.82 on further consideration of its bid for Sims, 3 cents easier at A$1.50.

Switzerland

Stock prices continued their downward tendency across a broad front in active trading. The Swiss Bank Corporation Industrial index closed 6.6 weaker at 308.2.

Dealers said shareholders were concerned about Saudi Arabia's decision to reduce crude oil output, adding that other negative factors were Iran's uncertain political situation, the weaker dollar, the high gold price and Iran's cancellations of arms purchases.

Union Bank fell 65 to SwFr 3,200, Bank Leu 60 to SwFr 3,690, Credit Suisse 35 to SwFr 2,310, Oerlikon Buehrle 85 to SwFr 2,560, Forbo "B" 100 to SwFr 6,100, Nestle 25 to SwFr 3,525, Alusuisse 40 to SwFr 1,300 and Ciba-Geigy 15 to SwFr 1,260.

Hong Kong

Profit-taking in the wake of Monday's advance brought a reactionary trend yesterday. The Hang Seng Index, up 13.96 the previous day, came back 5.68 to 562.22.

Johannesburg

Gold shares improved afresh, but finished below the day's best levels ahead of today's IMF gold auction.

Mining Financials were firmer-inclined in line with producers. UCI gained 30 cents to R5.60 after results.

Indices

NEW YORK—DOW JONES

	Feb. 5	Feb. 2	Feb. 1	Jan. 31	Jan. 30	Jan. 29	1978-79 High	1978-79 Low	Since Compil'tn High	Since Compil'tn Low
◆Industr'ls	825.98	854.65	840.87	839.22	851.79	855.77	907.74 (8/9)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	85.87	85.90	85.51	85.41	85.19	86.24	90.88 (4/1/78)	84.98 (15/1/79)	—	—
Transport..	209.55	213.45	214.31	214.56	216.88	217.91	261.49 (8/9)	199.31 (9/1/78)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	105.96	104.25	104.55	104.91	104.67	104.59	110.98 (3/1)	97.75 (20/12)	165.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	28,490	25,350	27,330	30,330	26,810	24,240	—	—	—	—

◆ Day's high 832.66 low 812.15

	Feb. 2	Jan. 26	Jan. 19	Year ago (approx)
Ind. div. yield %	5.83	5.66	5.81	5.98

STANDARD AND POORS

	Feb. 5	Feb. 2	Feb. 1	Jan. 31	Jan. 30	Jan. 29	1978-79 High	1978-79 Low	Since C'mpil't'n High	Since C'mpil't'n Low
‡Indust'ls	109.25	110.85	111.46	111.32	112.70	113.29	118.71 (12/9)	95.52 (6/3)	154.64 (11/1/73)	3.52 (30/6/32)
‡Composite	95.09	99.50	99.86	99.93	101.05	101.58	106.99 (12/9)	86.90 (6/3)	125.85 (11/1/63)	4.40 (1/6/32)

	Jan. 31	Jan. 24	Jan. 17	Year ago (approx.)
Ind. div. yield %	4.99	4.26	4.27	5.22
Ind. P/E Ratio	2.05	2.06	0.21	8.59
Long Gov. Bond Yield	8.84	8.91	8.97	8.18

N.Y.S.E. ALL COMMON

Feb. 6	Feb. 2	Feb. 1	Jan. 31	1978-79 High	1978-79 Low
55.01	55.79	56.00	55.99	20.38 (11/9)	48.67 (6/3)

Rises and Falls

	Feb. 6	Feb. 2	Feb. 1
Issues Traded	1,968	1,830	1,849
Rises	291	589	625
Falls	1,283	725	776
Unchanged	394	446	449
New Highs	18	17	18
New Lows	22	8	15

MONTREAL	Feb. 6	Feb. 2	Feb. 1	Jan. 31	1978-79 High	1978-79 Low
Industrial	225.83	226.35	227.52	229.89	232.44 (29/1/79)	182.90 (16/2)
Combined	230.35	231.12	231.76	235.21	237.93 (29/1/79)	178.82 (30/1)
TORONTO Composite	1347.5	1349.5	1350.7	1356.8	1382.4 (29/1/79)	998.2 (30/1)
JOHANNESBURG Gold	280.8	280.1	268.8	270.2	280.8 (5/2/79)	186.0 (20/4)
JOHANNESBURG Industrial	303.9	302.0	300.5	300.8	303.2 (5/2/79)	184.8 (13/3)

NEW YORK

Stock	Feb. 5	Feb. 2
Abbott Labs.	51¾	59¾
AM International	20⅞	22⅛
Aetna Life & Cas.	40⅛	41
Airproducts	26⅛	25¾
Alcan Aluminium	54⅛	34⅞
Alcoa	50⅛	31½
Alleg. Ludlum	16¾	16¾
Allegheny Power	16⅜	16⅞
Allied Chemical	29	99⅞

Stock	Feb. 5	Feb. 2
Con. Edison NY	23⅛	84⅛
Consol Foods	23⅝	24
Consol Nat Gas	38¾	58⅝
ConsumerPower	22⅞	23⅛
Continental Grp.	27¼	27⅜
Continental Oil	28⅞	39⅞
Continental Tele	13¼	16⅜
Control Data	36½	33⅞
Cooper Indus	46¼	46⅞

Stock	Feb. 5	Feb. 2
Corning Glass	56⅛	54¼
CPC Int'rn'tional	50	50¼
Crane	22⅞	50¼
Crocker Natl.	27⅞	98
Crown Zellerb'h	33½	34
Cummins Engine	55¾	36⅜
Curtiss Wright	13⅞	14⅜
Dana	22½	28⅜
Dart Industries	41	41¼
Deere	35⅜	66⅛

Stock	Feb. 5	Feb. 2
Johns Manville	22½	03¾
Johnson Johnson	73⅞	74
Johnson Control	28¼	29
Joy Manufacturing	30	50
K. Mar Corp	23⅞	24⅛
Kaiser Alumini'm	12	18¾
Kaiser Industries	2⅛	2⅛
Kaiser Steel	22¾	23⅛
Kaneb Services	13¾	14
Key	14⅛	14⅛
Kennecott	23¼	22⅞

Stock	Feb. 5	Feb. 2
Intl. Min & Chem	39¾	30⅞
Intl. Multifoods	19⅞	12⅞
Inco	18	17⅝
Intl. Paper	39⅞	40⅛
Intl. Rectifier	10½	11
Intl. Tel & Tel	28½	28⅞
Iowa Beef	43½	45
IU International	10⅞	10¾
Jim Walter	27	27

Stock	Feb. 5	Feb. 2
Revlon	49⅞	50⅜
Reynolds Metals	34⅞	33⅝
Reynolds R.J.	57¼	58¾
Rich'son Merrell	22¼	25⅛
Rockwell Inter.	38	37⅛
Rohm & Haas	35⅞	37¾
Royal Dutch	62	62⅜
RTE	11⅜	11¼
Ross Togs	10	10⅜
Ryder System	25¾	24⅛
Safeway Stores	42⅞	42⅞

Stock	Feb. 5	Feb. 2
Pub. Ser. Elect.	22⅛	
Pullman	34¼	
Purex	15¾	
Quaker Oats	23⅞	
Rapid American	16¼	
Raytheon	47	
RCA	26¼	
Republic Steel	25⅝	
Resorts Intl.	56⅞	

Stock	Feb. 5	Feb. 2
Wells-Fargo	28	28⅛
Weston Bancort	26⅛	26⅛
Western N.Amer.	23⅞	24⅜
Western Union	16⅝	15⅞
Westing'hse Elec.	17¾	18¾
Weyerhaeuser	28¼	22½
Whirlpool	17⅞	17⅞
White Con. Ind.	91	21¼
William Co.	17¼	17⅜
Wisconsin Elect.	26	26¼

Stock	Feb. 5	Feb. 2
Woolworth	19⅞	20¼
Wyly	4⅞	4⅞
Xerox	56⅜	57
Zapata	12¼	12⅞
Zenith Radio	15½	13⅞
U.S. Treas. 4% '80	†94⅞	†94⅞
USTreas 4½% 75/85	†78¾	†72¾
U.S. 90-day bills	2.15%	2.22%

CANADA

Stock	Feb. 5	Feb. 2
Trans Mount Ppl	8½	9¼
Trizec	†16⅜	15½
Union Gas	10	10
Untd Siscoe Mines	2⅝	9
Walker Hiram	42¼	42¼
West Coast Trans	11½	11⅛
Weston (Geo.)	22½	22⅜

† Bid. ‡ Asked. § Traded. ¶ New stock.

EUROPEAN OPTIONS EXCHANGE

Series		April Vol.	April Last	July Vol.	July Last	Oct. Vol.	Oct. Last	Stock
ABN	F.360	1	12.50	—	—	—	—	F.366
ABN	F.370	11	8.60	16	11	—	—	"
ABN	F.380	4	5.50	—	—	—	—	"
AKZ	F.25	—	—	1	6.60	—	—	F.29.20
AKZ	F.27.50	5	2.90	—	—	—	—	"
AKZ	F.30	122	1.60	27	0.60	10	3.80	"
AKZ	F.32.50	10	0.60	32	1.70	5	2.50	"
AKZ	F.53	—	—	13	0.80	50	1.50	"
ARB	F.80	—	—	6	0	—	—	F.77.80
CSF	F.380	—	—	22	15	12	03.50	F.358
CSF	F.440	—	—	6	3.30	12	5.80	"
EK	$70	—	—	8	2	—	—	$60
GOB	F.140	3	7.60	4	11	—	—	F.143.50
GOB	F.160	6	2.40	15	5.10	16	3.40	"
GOB	F.160	—	—	—	—	6	2.20	"
HO	F.37.50	—	—	5	1	—	—	F.51.90
IBM	$320	3	7	5	14¼	—	—	$303⅜
KLM	F.110	68	4.30	45	7.60	45	2.20	F.106
KLM	F.120	8	1.10	98	4.30	1	5.50	"
KLM	F.130	22	0.60	77	1.20	—	—	
KLM	F.140	2	0.30	7	1.40	—	—	
KLM	F.170	—	—	20	0.20	—	—	
NN	F.110	3	5.60	1	6.80	—	—	F.111.80
NN	F.120	5	1	6	2.50	—	—	"
PHI	F.82.50	10	1.90	—	—	—	—	F.23.60
PHI	F.23	—	—	46	1.10	5	1.50	"
PHI	F.27.50	—	—	—	—	29	0.60	"
PSA	F.400	3	14.50	—	—	—	—	F.326.80
PSA	F.440	8	2.50	—	—	—	—	"
RD	F.120	3	7.70	—	—	3	8.60	F.125.20
RD	F.123	10	3.80	—	—	13	6.10	"
RD	F.130	15	1.20	12	3	—	—	"
RD	F.140	27	0.40	—	—	6	1.70	"
T	$63	—	—	5	1⅛	—	—	$63⅜
UNI	F.120	18	5.80	—	—	—	—	F.123.10
		Feb.		May		August		
BA	$60	5	14½	—	—	5	12⅛	$75⅛
BA	$70	22	5¼	12	10½	—	—	"
BA	$80	6	¼	20	6⅛	—	—	"

TOTAL VOLUME IN CONTRACTS 1088

BASE LENDING RATES

A.B.N. Bank	12½%
Allied Irish Banks Ltd.	†12½%
Amro Bank	12½%
American Express Bk.	12½%
A P Bank Ltd.	12½%
Henry Ansbacher	12½%
Associates Cap. Corp.	12½%
Banco de Bilbao	12½%
Bank of Credit & Cmce.	12½%
Bank of Cyprus	12½%
Bank of N.S.W.	12½%
Banque Belge Ltd.	12½%
Banque du Rhone et de la Tamise S.A.	13 %
Barclays Bank	12½%
Bremar Holdings Ltd.	13½%
Brit. Bank of Mid. East	12½%
■ Brown Shipley	12½%
Canada Perm't Trust	12½%
Cayzer Ltd.	12½%
Cedar Holdings	12½%
■ Charterhouse Japhet	12½%
Choulartons	12½%
C. E. Coates	12½%
Consolidated Credits	12½%
Co-operative Bank	*12½%
Corinthian Securities	†12½%
Credit Lyonnais	12½%
Duncan Lawrie	12½%
The Cyprus Popular Bk.	12½%
Eagil Trust	12½%
English Transcont.	12½%
First Nat. Fin. Corp.	14 %
First Nat. Secs. Ltd.	14 %
■ Antony Gibbs	12½%
Greyhound Guaranty	12½%
Grindlays Bank	‡12½%
■ Guinness Mahon	12½%
■ Hambros Bank	12½%
■ Hill Samuel	§12½%
C. Hoare & Co.	†12½%
Julian S. Hodge	13½%
Hongkong & Shanghai	12½%
Industrial Bk. of Scot.	12½%
Keyser Ullmann	12½%
Knowsley & Co. Ltd.	14½%
Lloyds Bank	12½%
London Mercantile	12½%
Edward Manson & Co.	13½%
Midland Bank	12½%
■ Samuel Montagu	12½%
■ Morgan Grenfell	12½%
National Westminster	12½%
Norwich General Trust	12½%
P. S. Refson & Co.	12½%
Rossminster	12½%
Royal Bk. Canada Tst.	12½%
Schlesinger Limited	12½%
E. S. Schwab	13½%
Security Trust Co. Ltd.	13½%
Shenley Trust	14 %
Standard Chartered	12½%
Trade Dev. Bank	12½%
Trustee Savings Bank	12½%
Twentieth Century Bk.	13½%
United Bank of Kuwait	12½%
Whiteaway Laidlaw	13 %
Williams & Glyn's	12½%
Yorkshire Bank	12½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 10%. 1-month deposits 10¼%.
† 7-day deposits on sums of £10,000 and under 10% up to £25,000 10½% and over £25,000 10¾%.
‡ Call deposits over £1,000 10%.
§ Demand deposits 10%.

COMMODITIES AND AGRICULTURE

Potato farmers fear EEC moves

BY CHRISTOPHER PARKES

THE PRICE of seed potatoes has fallen sharply this year, depressed by a heavy crop last season and hesitancy among marmers who are fearful of European Community pressures on the British market.

Although the Ministry of Agriculture, relying on Potato Marketing Board estimates of planting intentions, expects output of maincrop potatoes to match demand this year, growers have been slow to buy seed.

Merchants said yesterday that at the end of December shipments of seed from the main growing areas in the UK were almost 30 per cent lower than at the same time in the previous year. Hard weather and the hauliers' strike had also slowed movements.

Last year's seed potato crop was 19 per cent higher than in 1977.

The Potato Marketing Board said the lower prices had held down estimated production costs for the new season. This year total costs for potato production, including cultivation, fertiliser, sprays, storage and grading, are expected to be £1,491 a hectare. Of this total, seed will account for £141, the board said.

Last season costs were £1,406, with seed accounting for £161 a hectare.

The modest rise in costs suggests there will be only a small increase in the guaranteed price this year. But there are other factors at work.

The Ministry is not expected to announce the guaranteed price until March or April. By then, however, the European Court of Justice may have ruled on the legality of Britain's national ban on imports of potatoes.

It is even possible that the first stages of a Common Market regulation on potato trade may be in operation.

The court ruling and the regulation hold the key to the future of the market here, and the Ministry is unhappy about setting a guaranteed price for 12 months if within that period the ban on imports may have to be lifted.

If that happened the UK taxpayer could end up subsidising Dutch and French growers' incomes directly.

UK sugar growers face £2m loss

BY A CORRESPONDENT

MIDLANDS SUGAR beet growers are facing a loss of almost £2m because of frost damage to their crops.

The British Sugar Corporation has revealed that an estimated 97,000 tonnes of beet has been lost in the counties of Worcestershire, Herefordshire, Shropshire and Staffordshire.

When the Corporation closed its Allscott plant at Telford ahead of schedule last week, 55,000 tonnes was still unprocessed. The Kidderminster factory came to a premature standstill yesterday with 42,000 tonnes in the ground or rotting in farm clamps.

A Corporation spokesman at Peterborough said: "We have processed about 590,000 tonnes at the two factories since the campaign started. But we have been limping along recently because of a shortage of beet fit for processing. We had no alternative but to close down both factories."

Mr. Bob Wright, the National Farmers' Union's Midland Information Officer has described the losses as a disaster for growers. He said: "This is a crisis. The farming industry just cannot stand losses of this magnitude. They are bound to have an immediate and long-term impact on cash flows."

In Washington, meanwhile, the U.S. Agriculture Department said world sugar stocks at the end of the 1978-79 season are forecast at about 30m tonnes, or about one-third of annual world consumption, reports Reuter.

In a summary of its sugar and sweetener report, scheduled for release on February 13, the Department repeated its earlier estimate of world sugar production at about 90m tonnes compared to the previous year's record 92m tonne total.

Farm land up £1,000 a hectare

By Our Commodities Staff

THE PRICE of farmland with vacant possession in England rose £1,000 a hectare last year. In the last three months of 1978 values jumped £200, according to figures released by the Ministry of Agriculture.

The sale of 3,300 hectares monitored by the Ministry advisory service (ADAS) and the Agricultural Mortgage Corporation during October, November and December yielded an average of £3,648 a hectare compared with the £3,448 average on 13,900 hectares sold in the previous three months.

The further increase came as commentators on the land market forecast an end to the steady rise which has more than doubled the average price in England in the past two years. In January, 1977, the average price recorded by the Ministry was £1,812 a hectare.

● In Washington, a Bill has been introduced in the U.S. Senate which would prohibit foreign investors and most large, non-agricultural corporations from buying U.S. farmland. Called the Family Farm Antitrust Act, it would prohibit acquisition or control of agricultural land by corporation or individuals with more than $15m in non-farm business assets, and by foreign corporations, governments and non-resident aliens.

Farm council approves drainage plan

By Margaret Van Hattem in Brussels

EEC AGRICULTURE Ministers yesterday passed a minor change to a scheme to buy up surplus fruit for processing, and confirmed their approval of a £5.4m drainage project on the Ulster-Ireland border. The scheme was approved in principle last year.

Apart from this, their two days of discussion produced no results and appeared unlikely to do so. Most of the talk centred on the difficulties of phasing out monetary compensatory amounts.

However, it appears France is still determined to force through some commitment to getting rid of MCAs and Germany is equally determined to resist this.

Ministers returned late in the evening to the Commission's proposals for immediate 5 per cent "green" devaluation for the UK, France and Italy.

Copper recovers after sharp fall

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER PRICES fell sharply on the London Metal Exchange yesterday in the first major reverse on the market since the New Year.

Values plunged in early dealings, continuing the downward trend started on Monday night in New York. But the market later rallied as new buying interest came in encouraged by reports of further rises in U.S. domestic producer prices.

Cash wirebars closed last night £23.5 lower at £959.5 a tonne. The three-months quotation was £31.75 down at £969.75, after falling to £945 at one stage during the day.

Traders said the reaction was long overdue, and were only surprised that it had not happened earlier. However it was noted that the gap between the cash and three months price remains narrow and new buying interest was attracted at the lower level, although price movements were extremely erratic.

The upturn was aided by the steady tone of the New York market, following the news that two U.S. producers—Copper Range and Duval—had raised their domestic prices by 5 cents to a new high of 87 cents a lb.

The fall in copper hit other metal markets, notably lead where the cash price dropped by £22 to £529 a tonne after falling even lower in early dealings. Aluminium prices were down too, but zinc held firm.

Tin values initially fell following the trend in copper, but then climbed strongly to close substantially higher. The standard grade three-months quotation declined to £7,030 in pre-market trading, but finally closed £52.5 up on the day at £7,225 a tonne.

The sharp recovery was attributed to sustained trade buying interest that came in at the lower price levels. At the same time another squeeze on nearby supplies, especially of high-grade tin, appears to be developing. The high-grade cash price jumped by £135 to £7,405 a tonne, and standard grade was up by £85 at £7,320 widening the premium over the three months quotations.

Alcan raises world aluminium price

BY OUR COMMODITIES EDITOR

A RISE in its world export price for primary aluminium ingots, from 59 to 61 cents a lb, has been announced in Montreal by Alcan Aluminium.

The increase raises prices, outside North America, to $1,300 a tonne, cif major world ports, except for Latin America and West Africa where the price goes up to $1,335. The company said the new export price does not apply in the Canadian or U.S. markets, nor where prices are well established by domestic conditions, such as Japan.

A spokesman in London said the rise would not have an immediate effect on the UK listed price of £710 a tonne. British needs for aluminium ingots are now largely met by domestic production, he added.

Increased demand for aluminium, like other base metals, is reported to be putting pressure on supplies and prices. Values on the London Metal Exchange, for example, have risen strongly recently in the wake of copper.

In New York, Alcoa reported that its first quarter shipments will depend more on how much it can produce than on demand.

This week a report by Chase Econometric Associates, a subsidiary of Chase Manhattan Bank, forecast a shortage of aluminium by 1982.

Entitled "The Developing Supply Crisis," the report said that aluminium production capacity was locked in for the next four years and will be outgrown by increased demand. As a result prices and profitability in the aluminium market will soar, the report predicts, but will head back towards oversupply in 1985.

TIMBER TRADE

The battle against oak wilt disease

BY A CORRESPONDENT

THE AMERICAN biologist who identified Caratocystis fagacearum—the botanical name of the fungus which causes oak wilt disease—in 1942 had little idea that he was starting a chain of events that would later involve the EEC, the Scotch whisky distillers, French cognac distillers, Spanish sherry blenders and the timber importers of most European countries.

What is more the call last week by the Timber Growers Organisation for imports of U.S. oak to be banned because of the threat from the disease seems to have brought about an unlikely alliance between the English landed gentry and French Government officials.

Oak wilt disease is at present confined to about 21 states in a central and eastern band in the U.S. The symptoms are very like Dutch elm disease; the foliage wilts and turns brown and may then be shed from the ends of the branches in the upper crown of the tree.

But there is an important difference. Dutch elm disease is spread by a single species of beetle, which is a very efficient vector, and it therefore travels fast. With oak wilt disease it has been established in the U.S. that the fungus can be spread by several species of beetle as well as by squirrels and birds. None of these vectors are very efficient; the number of affected trees is small and the spread of the disease is slow.

Scientists in Europe, however, are fully aware that if the disease should ever cross the Atlantic there is the possibility that it may find a vector which is more efficient than those in the U.S.

Another complicating factor is that many European oaks on passing maturity shed their leaves naturally from the ends of branches—become stag headed in the terminology of foresters. This condition is prevalent after a dry season and can be mistaken for the symptoms of the disease.

Britain has already erected barriers against oak wilt. The Importation of Wood and Bark (Prohibition) Order 1977 lays down regulations for the import or all of its bark or any part of the rounded surface of the tissues immediately below the bark."

Briefly, the conditions are that all bark must be removed in the country of origin, that the moisture content must be below 20 per cent or the wood must be treated with two named chemicals. The regulation is designed to cover the import of logs or first sawn timber. Fully esawn square-edged material falls outside the regulation because the risk of infection is thought to be very small.

The French, quoting an American academic paper, claim that the fungus can exist in sapwood and want the EEC to apply the same regulations to square-edged oak.

In Britain large quantities of square-edged American oak are imported to make casks for whisky distillers. It is claimed that if the oak is dried to a moisture content of 20 per cent it becomes porous and therefore useless for the purpose. Chemical treatments are unsatisfactory for obvious reasons. The other large European importer is Spain where the oak is used for sherry casks.

For the past year the position has been studied in London and Brussels and a Forestry Commission plant pathologist has visited the U.S.

Mr. Michael Harley, president of the Timber Growers Organisation, said that English timber growers would support the banning of all North American oak imports "as already had been done in France."

In fact the French have not banned imports. They are awaiting the outcome of the meeting of the EEC plant health committee on February 15, but if they are not satisfied with the stringency of any proposed regulations they propose to take unilateral action.

THE GOVERNMENT should act to ban the import of possibly infected oak wood from the U.S. because of the disease risk to Britain's oaks, an MP said yesterday.

Mr. Kenneth Baker, Conservative member for St Marylebone, said there was a very real danger that Britain's oaks could be ravaged out of existence. He is to demand action in Parliament this week in a series of Commons questions to Mr. Peter Shore, Environment Secretary.

Malaysian log shortage warning

KUALA LUMPUR — A timber shortage troubling Malaysia's wood processing industry is expected to worsen, Mr. Paul Leong, Primary Industries Minister, said recently.

He said when the area of forest to be harvested yearly is reduced to 330,000 acres from 920,000 acres under the national forest policy, there will be a shortage of about 3m cubic metres of logs every year.

"Even now we are already facing a shortage of popular logs," he said.

"The Government has relaxed import duty on logs and theoretically it is possible to make good the deficit by encouraging the importation of logs from Sabah.

"In practice, however, the local processing industry must be more enterprising and competitive."

There are now about 550 sawmills and 36 plywood and veneer mills in Peninsular Malaysia.

They are competing for about 7m cubic metres of logs when they are estimated to have a rated potential processing capacity of about 15.57m.

It was estimated last year about 2.8m tons of processing wastes were burnt and about the same amount was left behind as damaged logs in the forest.

He said the rate of agricultural development was about 200,000 acres every year and yet about 4.5 times that acreage was harvested.

"Our forest resources may be depleted to a dangerous level within 12 years if prudent measures are not taken urgently to reduce wood waste and also to reduce the rate of harvesting," Mr. Leong warned.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Fluctuated sharply on the London Metal Exchange as the reaction to the recent sharp rise continued from Monday. Forward metal moved between £974 and £986 early morning and then fell in erratic movements to a low for the day of £945, helped by option [illegible]

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £943, three months £962, 60, 58, 54, 53, 63, 48, 47, 46, 45, 47, 48, 50, 52, 51, 50, 48, 47, 48, 48, 48.5, 49, 50, 52, 51, 51.5, 52, 53, 53.5, 54. Cathodes, cash £934, 35, 36, three months £942, 44. Kerb: Wirebars, three months £957, 58, 60, 61, 62, 60, 62. [illegible]

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

GRAINS

[illegible]

SILVER

[illegible]

COTTON

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

PRICE CHANGES

Price in tonnes unless otherwise stated.

[illegible]

WOOL FUTURES

[illegible]

JUTE

[illegible]

AMERICAN MARKETS

NEW YORK, Feb. 6.

Cocoa—March 148.10 (149.75), May 150.15 (151.75), July 152.15, Sept. 154.15, Dec. 156.25, March 158.25, May 159.00. Sales: 1,450.

[illegible]

Monday's closing prices

[illegible]

EUROPEAN MARKETS

[illegible]

INDICES

FINANCIAL TIMES

Feb. 6	Feb. 5	M'nth ago	Year ago
257.01	255.23	260.14	228.24

(Base: July 1, 1952=100)

MOODY'S

Feb. 6	Feb. 5	M'nth ago	Year ago
1027.6	1012.3	983.4	886.5

(December 31, 1931=100)

DOW JONES

Dow Jones	Feb. 6	Feb. 5	Month ago	Year ago
Spot	375.23	376.40	362.62	345.55
Fut's	372.55	371.32	372.32	332.55

(Average 1924-25-26=100)

REUTERS

Feb. 6	Feb. 5	M'nth ago	Year ago
1525.1	1530.7	1491.4	1398.1

(Base: September 18, 1931=100)

General retreat as inflationary and other pressures build up—Gilts lose ½ and 30-share index falls 5.9

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Jan. 15	Jan. 25	Jan. 26	Feb. 6
Jan. 29	Feb. 8	Feb. 9	Feb. 20
Feb. 12	Feb. 22	Feb. 23	Mar. 6

* "New time" dealings may take place from 9.30 am two business days earlier.

Increased inflationary and interest rate pressures in stock markets which are gloomily reflecting several other adverse factors (including the threat of an all-out strike at BL Cars) ensured a continuation yesterday of Monday's reactionary tendency. Gilt-edged securities were additionally affected by the rise in the eligible liabilities of the banking sector in January.

Only Oils and South African Golds resisted the trend, the former responding to suggestions of increased revenue in the light of their competitiveness in a world of shrinking oil supplies and the latter extending their buoyancy on gold price hopes; the bullion price yesterday tended to consolidate its recent sharp gain.

Reports of the Government's confidence in reaching agreement with union leaders on an economic and industrial package by the middle of next week were nullified in opening sentiment by the water workers' rejection of a 16 per cent pay offer and the bleak prospect at BL Cars. Sellers were soon operating in all sectors of equities and by 11 am the FT Industrial Ordinary share index was down 5.4.

Shortly afterwards a rally developed and appeared to be holding but the announcement of the latest banking statistics brought fresh uncertainty and the index closed at the day's lowest with a loss of 5.9 for a three-day fall 13.7 to 454.8. In contrast, the oil majors and concerns with North Sea interests settled with gains extending to 14p, British Petroleum rising that much to 950p. Falls in other index constituents generally ranged to 6p.

Illustrating the more widespread weakness, especially in secondary equities, falls commanded an increased majority of 13-to-two over rises in all F.T.-quoted Industrials, while the number of bargains marked rose to 5,568, the highest since September 15 last.

For British Funds, however, there was no relief. A steadier tendency prevailed for much of the session but this gave way following receipt of the January banking figures. Marginal falls at the longer end were then extended to ½ and the shorts rescinded small gains to close a shade easier on balance.

After opening easier at 93 per cent on a combination of Wall Street and sterling influences, the investment currency premium proceeded to edge upwards in fairly subdued trading and closed at 94½ per cent for a loss of ½ on the day. Yesterday's S.E. conversion factor remained at 0.6704.

The volume of business in Traded Options yesterday improved considerably with 935 contracts completed compared with the previous day's 706 and last week's daily average of 688. Most of the interest centred around four stocks with BP the most active with 194 deals done followed by Cons Goldfields, 129, Shell, 120 and RTZ, 105.

In recent issues, Caledonian Holdings, in receipt of at least two bids for all or part of the company, moved up 3 to a peak of 93p pending developments.

Banks down again

Continuing suggestions that the major clearing banks will soon raise their base lending rates which drifted lower in thin trading. Barclays relinquished 5 more to 370p as did Midland, to 350p, while Lloyds and NatWest ended a like amount down at the common level of 280p. Elsewhere, Guinness Peat gave up 5 more to 105p, still in reaction to the disappointing interim statement. Hire Purchases remained friendless on dearer money fears.

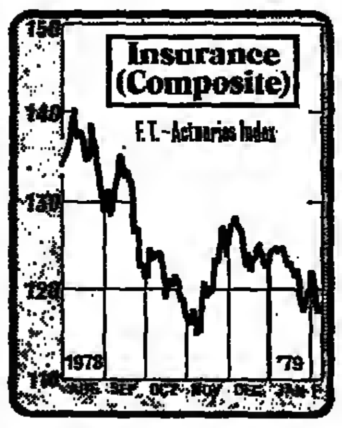
In dull Insurances, Christopher Moran fell 3 making a three day relapse of 15 to 36p following a report that the company is being investigated over alleged currency irregularities. Sun Alliance fell 8 more to 488p and Sedgwick Forbes gave up 7 to 398p, while Hambro Life, 397p, and Pearl, 230p, lost 6 apiece.

Buildings reflected the generally dull trend with Blue Circle, 256p, Tunnel B, 288p, and Tarmac, 162p all around 5 lower. Costain issues weakened further, the ordinary and deferred by 4 to 156p and 116p respectively. Despite the higher interim profits, Crouch Group softened a penny to 66p, and Vibroplant, on second thoughts about the midterm results, relinquished 5 to 212p after early progress to 220p. Following the 68p per share agreed cash bid from Central Manufacturing, a penny off at 57½p, dealings were resumed in G. R. Francis at 66p before a close of 67p which compares with the suspension price of 64p.

With stock on offer in increasing amounts, ICI and Fisons cheapened 3 apiece to 350p and 300p respectively. Among other Chemicals, Laporte Interests dropped 7 to 103p on persistent small offerings.

Stores dull

Dull conditions prevailed in Stores with Gussies A closing 4 off at 292p. Dull spots in secondary issues included Status Discount which declined 7 to 230p and J. Hepworth 6 lower at 69p. Morris and Blakey Wallpapers A, firm of late on bid hopes, declined 6 to 108p, while falls of 5 were seen in Currys, 157p, and William Mowat, 65p. Further consideration of the disappointing interim performance prompted a fall of 2 to 161p in



Excalibur Jewellery. Against the trend, Custonagic hardened 2 to 19p.

Electricals sustained another fairly widespread setback, but losses in most cases were fairly modest compared with the previous day. Disappointment with the interim statement, however, prompted marked dullness in Unitech which fell away to close 6 cheaper at 170p. Fairhead reacted 6 to 223p and losses of 5 were recorded in Chloride, 90p, H. Wigfall, 250p, and Ferranti, 388p. Among the leaders, GEC remained on offer and eased afresh to 315p before closing 5 off on balance at 317p. Thorn gave up 6 further to 338p, while the acquisition of United Artists of America failed to benefit EMI, 4 cheaper at 129p.

Light offerings and lack of support made for renewed dullness in the Engineering leaders. Still reflecting a reported broker's circular, Hawker closed 6 cheaper at 198p for a two-day loss of 16. GKN, 234p, and Tubes, 350p, eased 4 apiece. Scattered selling became evident in secondary issues. Recent high flier Williams and James gave up 7 to 140p and Mining Supplies eased 5 more to 128p awaiting today's interim figures. Fading bid hopes prompted selling of Averys which lost 6 to 211p. British Aluminium reacted 12 to 870p, while falls of 5 were marked against Edbro, 169p, and Matthew Hall, 214p. Further profit-taking left Whessoe 3 cheaper at 94p, but Downiebrae, up 3 at 37p, on revived demand, provided one of the few bright spots.

Dull from the outset, Foods attempted to rally but usually closed at the day's lowest. In the leaders, J. Sainsbury eased 5 to 233p. Elsewhere, recently firm Morgan Edwards shed 4 to 56p, and, ahead of today's interim results, Hillards gave up a like amount to 228p. In a limited market, Sidney C. Banks relinquished the previous day's rise of 5 at 92p.

Stormgard wanted

Economic and political worries continued to weigh heavily on the miscellaneous Industrial leaders which drifted down in thin trading. Beecham lost 9 to 603p and Glaxo relinquished 5 to a 1978-79 low of 470p. Bowater also ended 5 off, at 179p, and Rank Organisation cheapened 4 to 238p. Elsewhere, Stormgard stood out with a gain of 6, making a two-day jump of 11 to 18p on speculative buying in a thin market. Reflecting their North Sea oil interests, buyers came for Cawoods, 154p, and I.C. Gas, 386p, bringing improvements of 4 and 11 respectively. Hanimex added 13 to 100p and J. Crean 6 to 221p, while M.Y. Dart put on 2 to 57p. Recent speculative favourite Aeronautical and General Instruments gave up 3 to 125p on profit-taking, while De La Rue fell 11 to 342p and Portals cheapened 7 to 225p. Alpine Holdings touched 89p on profit-taking before rallying late to close only a penny easier on the day at 94p and Hallam Sleigh and Cheston softened a penny to 36p following the mid-term figures.

Motor sectors generally closed easier following a scrappy two-way business. In Distributors, losses of around 4 were seen in Ecros, 109p, Harold Perry, 114p, Henlys, 121½p, and Tate of Leeds, 69. In contrast, renewed speculative interest left Clanfield Lawrence a penny harder at 66p. ERF, 100p, and Fodens, 43p, both slipped 3. Ahead of today's half-time results, Dowty eased a penny to 262p.

International Thomson provided an isolated firm spot among dull Newspaper issues, rising 24 to a peak of 314p, on hopes that the company with its sizeable North Sea oil interests will benefit from the mooted rise in oil prices. Following the late announcement that Rossminster Holdings is offering 100p per share for the outstanding equity, Jacksons Bourne End rose 34 to equal the offer price.

English Property Corporation hardened ½ to 47½p on the announcement that Olympia and York Developments of Canada had acquired 3.25m shares in the group pending its decision on whether or not to bid for EPC. After last week's show of strength, other Properties gave ground on profit-taking but Land Securities and MEPC steadied in late dealings and closed only marginally lower. Stock Conversion, 298p, and Great Portland Estates, 230p, gave back 6 and 4 respectively, while British Land relinquished 1½ to 46½. Elsewhere, Regalian encountered sellers and, in a thin market, shed 3 to 17p.

Oils feature

The mooted increase in oil prices following reports of an impending cut back in Saudi Arabian crude supplies encouraged a steady demand for Oil shares which found stock in short supply. British Petroleum moved up 14 more to 950p and Shell advanced 12 to 602p. Assisted by favourable Press mention, Ultramar stood out in secondary issues with a gain of 16 to 238p. Tricentrol advanced 14 to 150p, while Lasmo OPS firmed 10 more to 405p.

Textiles plotted an irregular course in quiet conditions. Textured Jersey eased a penny to 50p despite reporting doubled profits and dividend at the interim stage. Dawson International, 99p, gave up 3 following the disclosure that Woodbourne Nominees have placed 1.7m shares with the market. Small and Tidmas rose 3 to a 1978-79 peak of 50p. Recent interest subsided in Robert H. Lowe, 7 off at 73p.

Golds up again

South African Golds continued to make good progress despite a narrowly fluctuating performance by the bullion price, which was finally 50 cents off at $244.125 per ounce.

After being marked up sharply at the outset reflecting a strong overnight U.S. demand, prices came under modest pressure following Johannesburg profit-taking.

However, renewed American buying in the afternoon saw prices advance afresh to close at, or around, the day's best levels.

The Gold Mines index moved ahead for the third successive day to register a 2.4 gain at 183.8, while the ex-premium index put on 1.6 to 123.2.

Most of the late American buying was directed towards the high quality issues such as West Driefontein, 21½ higher at £25½, and Vaal Reefs a half-point better at £17½. Hartebeest, Free State Geduld and Western Holdings, were all ½ firmer at £14½, £18 and £22 respectively. The developing mines all attained new 1978-79 highs; Unisel jumped 10 to 254p, Elandsrand 7 to 307p and Deelkraal 3 to 138p.

South African Financials all lost ground with the notable exceptions of UC Investments and Union Corporation. Considerations of the sharply increased dividend and profits lifted the former 11 to 276p after a 1978-79 high of 280p, while Union Corporation put on 4 to 354p, after a high of 358p.

A reaction in base-metal prices after the recent speculative gains prompted profit-taking in base-metal producers.

In the London Financials, Rio Tinto-Zinc relinquished 6 to 278p, Gold Fields 4 to 200p and Charter 3 to 149p.

Overseas base-metal miners showed Roan Consolidated 10 off at 100p. Australians generally lost ground but Bougainville hardened a penny to 161p, after a high of 163p following the sharply increased dividend and higher profits.

FINANCIAL TIMES STOCK INDICES

	Feb. 6	Feb. 5	Feb. 2	Feb. 1	Jan. 31	Jan. 30	A year ago
Government Secs.	65.34	65.87	65.80	66.04	66.87	66.89	74.05
Fixed Interest	66.64	66.91	67.21	67.74	67.92	67.96	78.03
Industrial	454.8	460.7	467.3	468.5	467.7	466.0	463.7
Gold Mines	183.8	181.4	171.9	166.6	165.2	167.2	151.5
Gold Mines(Ex-$ pm)	123.2	121.6	116.0	112.2	112.4	115.0	115.3
Ord. Div. Yield	5.26	5.21	5.14	5.14	5.15	5.19	5.76
Earnings Y'ld % (full)	16.39	16.24	16.07	16.06	15.11	16.20	17.56
P/E Ratio (net) (*)	7.01	7.06	8.07	8.06	8.05	8.01	8.07
Dealings marked	5,568	5,096	4,933	4,085	4,293	4,555	5,852
Equity turnover £m.	—	87.06	84.77	88.81	56.94	66.92	66.28
Equity bargains total	—	14,569	15,678	15,164	11,637	13,343	14,96[illegible]

10 am 457.0. 11 am 455.3. Noon 456.0. 1 pm 456.2. 2 pm 456.2. 3 pm 455.2.
Latest Index 01-246 8026.
*Nil=7.69.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. Ex $ premium index started June 1972. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978/9 High	1978/9 Low	Since Compilat'n High	Since Compilat'n Low
Govt Secs.	78.58 (3/1/78)	65.34 (6/2/79)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (3/1/78)	66.64 (6/2/79)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	535.5 (14/9/78)	433.4 (2/3/78)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	206.8 (14/8/78)	130.3 (23/1/78)	442.3 (22/5/75)	43.5 (26/10/71)
Gold Mines (Ex-$ pm)	152.3 (14/8/78)	90.5 (18/4/78)	337.1 (3/4/74)	54.3 (29/6/76)

S.E. ACTIVITY

	Feb. 5	Feb. 2
—Daily		
Gilt Edged	163.2	161.3
Industrials	187.8	188.9
Speculative	57.0	61.1
Totals	126.7	115.6
5-d'y Av'r'ge		
Gilt Edged	158.8	154.7
Industrials	163.7	156.6
Speculative	54.8	53.5
Totals	108.6	104.0

NEW HIGHS AND LOWS FOR 1978/9

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978-79.

NEW HIGHS (29)

BUILDINGS (1)
Barratt Hallamshire
STORES (1)
Wilkinson Warburton
ELECTRICALS (1)
Belgin A
ENGINEERING (2)
Downiebrae Walker (C. & W.)
HOTELS (1)
[illegible]
INDUSTRIALS (6)
Cape Industries Prov. Laundries
Crean (J.) [illegible]
Gnome Photo. Triefus
NEWSPAPERS (2)
Internatl. Thomson Routledge & K.P.
PROPERTY (2)
Eng. Prop. 5½pc Cnv. Estates & General
TEXTILES (1)
Small & Tidmas
TRUSTS (1)
Common Market
OILS (1)
British Borneo
MINES (10)
Vlakfontein Unisel
Deelkraal Union Corp.
Elandsrand Bougainville
Kloof Gold [illegible]
F.S. Development Yukon Cons.

NEW LOWS (103)

BRITISH FUNDS (58)
CORPORATION LOANS (2)
BANKS (2)
BEERS (1)
BUILDINGS (5)
CHEMICALS (1)
DRAPERY & STORES (4)
ELECTRICALS (3)
ENGINEERING (6)
FOODS (1)
INDUSTRIALS (8)
INSURANCE (1)
MOTORS (2)
PAPER & PRINTING (1)
TEXTILES (2)

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978-79 high	1978-79 low
BP	25p	17	950	+14	954	720
Shell Transport	25p	15	602	+12	602	484
Ultramar	25p	13	238	+16	284	152
Europ'n. Ferries	25p	10	132	−1½	143	99
RTZ	25p	9	278	−6	284	164
Rustenburg Plat.	R0.10	9	150	−4	154	70
BATS Defd.	25p	8	277	−1	304	227
Boots	25p	8	186	−3	237	184
GEC	25p	8	317	−5	349	233
Midland Bank	£1	8	350	−5	390	330
Rood Intl.	£1	8	157	−1	163	102
Coos. Gold Fields	25p	7	200	−4	206	163
EMI	50p	7	129	−4	190	129
ICI	£1	7	350	−3	421	328
Turner & Nowall	£1	7	148	−2	209	147

The above list of active stocks is based on the number of bargains recorded yesterday in the Official List and under Rule 163(1) (e) and reproduced today in Stock Exchange dealings.

OPTIONS

OPTIONS
DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb. 6	Feb. 19	May 3	May 15
Feb. 20	Mar. 5	May 17	May 30
Mar. 6	Mar. 19	May 31	Jun. 12

For rate indications see end of Share Information Service

An active day's trading in the option market saw calls in European Ferries, Westland, Lonrho, UDT, Burmah, GEC, Deelkraal, Messina, Cons. Gold, Chris. Moran, Bambers, Eurotherm, Tricentrol, Lex Service, Silvermines, RTZ, Western Areas, U.C. Investments, British Land, Lasmo, EMI, Lucas, BP, Tozer Kemsley, Town and City.

British Car Auctions, Duple, Elsburg, Ultramar, Siebens, FNFC, Robert Kitchen Taylor, Bolton Textile and Forward Technology. A put was arranged in BL, while doubles were completed in Lonrho, European Ferries, UDT, BL, Deelkraal and Chris. Moran.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	5	65	10
Corpns., Dom. and Foreign Bonds	6	7	51
Industrials	103	689	730
Financial and Prop.	22	279	208
Oils	17	7	14
Plantation	3	11	18
Mines	41	43	56
Recent Issues	5	10	13
Totals	202	1,111	1,100

APPOINTMENTS

Lloyds Bank general manager

Mr. John Rees, group chief accountant of LLOYDS BANK, has been appointed to the newly-created post of general manager (group finance).

Mr. R. W. Seabrook has been appointed to the board of NORMAND ELECTRICAL HOLDINGS as non-executive director.

Four members of the CARNATION FOODS COMPANY have been appointed directors. They are Mr. Neville Baston, exports and inter-company sales; Mr. Ron Brown, sales (UK); Mr. Bob Laird, human foods division; and Mr. Reginald H. Smith, pet division.

The Board of GEC-FAIRCHILD, the joint company formed by the General Electric Company and Fairchild Camera and Instrument Corporation to manufacture semi-conductors in the UK, consists of Mr. Robert Clayton, chairman (technical director of GEC) and Mr. David Marriott, managing director (a vice-president of Fairchild). Other directors are Mr. Richard Franklin, director of Fairchild's corporate legal department; Mr. Martin Jay, deputy managing director, GEC Electronic Devices; Dr. David Leakey, technical director GEC Telecommunications; Mr. Howard Lesty, managing director, GEC Electronic Devices; Mr. Murray McLachlan, Fairchild vice-president strategic planning, and Mr. Andrew Procassini, a Fairchild division vice-president and director of worldwide semiconductor marketing. Mr. Walter Derrington, former financial controller for Fairchild's European subsidiaries, has been made the company's manager (finance and administration) and secretary.

CEC-Fairchild is to build a semi-conductor factory at Neston in Cheshire and when fully operational, the factory is expected to employ 1,000 people. Recruitment of management and technical personnel has started.

Mr. Peter Simidian has been appointed assistant managing director of HEATHERLEY FINE CHINA and CELMAC DISTRIBUTORS, members of the Fosseco Minsep Group. For the past five years, Mr. Simidian has been marketing director for Heatherley and Celmac Distributors.

Mr. Neil W. Price has been appointed to the new post of sales executive—hearing tubo and Mr. P. A. Taylor to the new post of sales executive—hollow bar, of TI DESFORD TUBES. Previously Mr. Price was overseas sales executive of TI Desford and Mr. Taylor area sales manager of TI Export. Each has responsibility for both UK and overseas sales of his respective product group.

The Board of GREATERMANS STORES has been reconstituted as follows: Mr. I. Kaye, Mr. B. D. Miller, Mr. J. H. Smit, Mr. N. Werksman and Mr. E. G. P. Harvey. Alternate director is Mr. H. P. Joffe.

Mr. K. J. Barry, Mr. R. B. Ferris, Mr. R. N. Oliver, Mr. L. C. T. Sallabank and Mr. W. A. Simpson have been appointed executive directors of GEORGE WIMPEY AND CO.

CAPE INDUSTRIES has made a number of Board changes within the building and insulation and the automotive and engineering divisions. Mr. R. A. Paine is now deputy chairman of Cape Insulation, Cape Insulation (Ireland) and Cape Insulation Services and his previous position as managing director of Cape Contracts has been taken up by Mr. M. A. Wright. Mr. T. T. Austin, who was a director of Cape Contracts, has become managing director of Cape Scaffolding in place of Mr. Wright. Mr. J. F. Gartside has been appointed managing director of Cape Building Services. Within the Cape automotive and engineering division the Cape distribution group has been re-organised into three companies operating as Cape Distribution, Cape Automotive, and Cape Automotive Services. Mr. F. F. Parkes and Mr. R. D. McIntyre-Brown have been made chairman and managing director, respectively, of each company. At Trist Draper, Mr. J. F. Main has relinquished his position as managing director to be chairman and Mr. B. G. Hollister has become director and general manager. Mr. Main is also chairman of a company formed to take over responsibility from Trist Draper for the manufacture of automatic transmission components.

Mr. K. C. Rice has been appointed adviser to the chairman of GUINNESS MAHON AND CO. Mr. Rice retired from the position of group treasurer of Babcock and Wilcox at the end of last year.

Mr. Richard Croydon has been appointed commercial director of DUNLOP IRRIGATION SERVICES. He was previously with Massey Ferguson as sales and service director industrial and construction machinery (Europe) and had been with that company since 1957.

Mr. John Brooke has been appointed deputy commercial director of RACAL-TACTICOM. This is a newly-created position and he will share commercial responsibilities of the company with Mr. Geoff Bennett, deputy managing director.

Mr. Graeme R. McCallum has been appointed managing director of ASH HOMES, a subsidiary of Barratt Developments.

Mr. Brian R. Edgeley has been appointed a managing director of BACHE HALSEY STUART (LONDON). He joined the company in 1965 and most recently was senior trader director.

Mr. J. E. Green and Mr. G. L. Thom have been appointed to the Board of CHRISTY BROS.

Mr. J. F. Nutt has been appointed to the Board of GROSVENOR HYPOWER, a subsidiary of Low and Bonar Group.

The Board of newly formed S.E. ACCESSORIES AND CHEMICALS comprises: Mr. Clive Q. Summerhayes, chairman, Mr. John F. Kidston, managing director, Mr. Peter J. Colledge, finance, Mr. Nevill B. Stokes, technical, and Mr. David C. Buckley, general manager. The present company is Standard Engineering.

Mr. Keith Rushton has been appointed a director of TRANSTEL COMMUNICATIONS, the joint Extel and Extel Corporation of America company. He joined Transtel as general manager at the beginning of 1977.

The Secretary for Industry has appointed the following new members to the DESIGN COUNCIL: Mr. R. J. Maskrey, managing director, Maskreys; Mr. M. J. Kimberley, managing director, Lotus Cars; Mr. G. N. Bowman-Shaw, chairman, Lancer Boss; Mr. G. Downie, general manager, Radstock Reproductions; and Mr. G. Eastwood, general secretary, Association of Patternmakers and Allied Craftsmen.

Mr. A. Bertelsen, managing director of CELCON, has been appointed chairman of the company and its subsidiaries, Ryarsh Brick and Neolite. Mr. H. Schmidt-Hansen, deputy managing director, becomes managing director of the companies.

Dr. Alec Mawson has been appointed director of the group development and technical services of WIGGINS TEAPE in succession to Mr. J. J. Morris who retires from the company on March 31.

Mr. Michael Surrey has been appointed to the chair of economics in the School of Economic Studies at LEEDS UNIVERSITY from October 1, 1979. He will succeed Professor Arthur Brown who retires at the end of the 1978-79 session.

Administration of SMITH-KLINE ANIMAL HEALTH operations in the UK will be undertaken by three new directors: Dr. Brian Bagnall (technical), Mr. Keith Donnison (marketing), and Mr. Charles Vickers (finance and administration). Mr. Norman Blanchard is chairman of the company, and Mr. Han van Veen, managing director.

UNITED GAS INDUSTRIES has appointed Mr. S. B. Sangster as finance director of Smith Meters and other companies in the UGI Meters Division.

LONDON TRADED OPTIONS

Option	Ex'rc'se price	April Closing offer	April Vol.	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Equity close
BP	900	73	18	92	—	113	—	949p
BP	950	33	33	55	3	80	—	"
BP	1000	11	125	32	13	—	—	"
Com Union	140	8	2	13	—	10	—	142p
Cons Gold	180	28	—	31	13	38	—	200p
Cons Gold	200	13½	21	18½	6	26	3	"
Cons Gold	220	4½	86	10	—	16	—	"
Courtaulds	110	5	1	7½	2	9½	—	108p
Courtaulds	120	1½	15	3	—	5½	—	"
GEC	260	65	1	—	—	—	—	317p
GEC	280	45	8	—	—	—	—	"
GEC	330	11	29	25	9	33	—	"
GEC	360	2½	6	12	10	—	—	"
Grand Met.	100	16½	20	19½	—	25	—	116p
Grand Met.	110	7	3	11	—	14½	—	"
Grand Met.	120	3	33	6½	—	9	—	"
ICI	330	20	15	37	10	46	—	351p
ICI	360	7½	42	15	16	28	3	"
ICI	390	2	—	7½	8	13	—	"
ICI	420	1	—	2½	3	—	—	"
Land Secs	220	40	10	44	6	—	—	253p
Land Secs	240	21	—	25	5	33	—	"
Marks & Sp	70	15	—	18	15	—	—	83p
Marks & Sp	80	7½	—	11	10	14	—	"
Marks & Sp	90	3	5	6	—	8	—	"
Marks & Sp	100	¾	10	—	—	—	—	"
Shell	500	112	5	—	—	—	—	603p
Shell	550	64	3	75	3	86	—	"
Shell	600	20	92	40	13	48	—	"
Totals			589		155		8	
		February		May		August		
BOC Intl.	60	9½	—	13	—	14	4	62p
Boots	180	6	—	12	7	20	—	187p
EMI	130	3	3	2½	—	13	—	130p
EMI	140	¾	30	0½	—	8	—	"
EMI	160	—	—	1½	10	3	—	"
Imperial Gp	80	0½	0	7	8	2	8	80p
RTZ	260	20	2	55	10	56	13	277p
RTZ	280	0½	23	20	27	27	20	"
Totals			66		72		43	

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1978/79 High	1978/79 Low	Stock	Closing Price p	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
A$0.60	F.P.	—	81	61	Ashton Mining 50c	81	+1	—	—	—	—
66	F.P.	—	95	66	Caledonian Hldgs	93	+3	b4.75	6.5	7.8	7.8
135	F.P.	10/1	187	170	Harris Queensway 20p	176	−5	t7.8	3.1	5.5	7.3
**	F.P.	16/2	132	118	Hunting Assoc. Defd.	126					
—	F.P.	—	104	89	††IAS Cargo Airlines	99	−1	F2.8	3.7	4.2	10.7
**	F.P.	8/3	34	31	M. Y. Dart Defd.	33					
110	F.P.	17/1	136	115	Mill'ttsL's'reShps20p	128	−1	b5.7	1.8	6.6	12.5

FIXED INTEREST STOCKS

Issue Price	Amount Paid Up	Latest Renunc. Date	1978/79 High	1978/79 Low	Stock	Closing Price	+ or −
¶¶	F.P.	16/2	109p	103p	Assoc. Dairies 9¼% Pref.	103p	−2
‡	Nil	—	1pm	1pm	Chepstow Race's 5% Cnv. Uns. Ln. 1988	1pm	—
¶	F.P.	26/1	100	99¾	Colne Valley Water 8% Red Prf 1985	100½	—
£100p	F.P.	23/12	100¼p	98p	Findlay 8% Cnv. Cum. Red. Prf.	98p	—
£100	F.P.	5/1	130	102	Hawley-Leisure 12% Cnv. Uns. Ln. '86-88	130	+1
—	F.P.	—	138p	118p	††IAS Cargo Airlines 5% Cnv. Pref. £1	135p	−1
¶	F.P.	1/3	101½	101	Mid Kent Water 8% Pref. 1984	101½	—
100p	F.P.	11/1	107p	102p	Rivington Reed 9½% Cnv. Cum. Red. Pref.	105p	—
97½p	F.P.	9/1	99p	97p	Seascope 10½% Pref.	97p	—
**			98p	95p	Shaw Carpets 10% 2nd Cum. Pref. £1	95p	−3

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date ●	Latest Renunc. Date ■	1978/9 High	1978/9 Low	Stock	Closing Price p	+ or −
60	F.P.	18/1	19/2	75	67	Associated Biscuit	75	−1
125	Nil	—	—	45pm	29pm	Baker Perkins	39pm	—
C$21½	Nil	—	—	325pm	315pm	Bank of Nova Scotia	315pm	—
45	F.P.	8/12	9/2	58½	47	Foster (John)	53½	+½
220	Nil	—	—	35pm	18pm	Haslemere Estates	26pm	−4
68	Nil	—	—	8pm	7pm	Montfort	7pm	—
108	F.P.	—	7/3	130	124	Neil & Spencer	129	−1
20c	Nil	—	—	29pm	24pm	Poseidon	30pm	+1
10	F.P.	22/1	23/2	17½	14½	Suter Electrical Defd.	16	−1
18	Nil	—	—	8pm	5pm	Swan Ryan Intl.	7¼pm	—
28	F.P.	10/1	9/2	38	34	York Fine Woollen	37½	—

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. *F* Dividend and yield based on prospectus or other official estimates for 1979. *Q* Gross. *T* Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. *Pt* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue., Feb. 6, 1979 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 33%)	Est. P/E Ratio (Net)	Mon., Feb. 5 Index No.	Fri., Feb. 2 Index No.	Thurs., Feb. 1 Index No.	Wed., Jan. 31 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	226.30	−1.4	17.88	5.88	7.65	229.54	232.60	232.04	230.71	201.6[illegible]
2	Building Materials (28)	201.36	−1.4	19.06	6.52	7.22	204.32	206.85	206.19	202.94	180.4[illegible]
3	Contracting, Construction (28)	341.98	−1.4	22.64	6.02	6.34	346.82	349.73	350.03	348.80	320.54
4	Electricals (15)	530.58	−1.7	14.51	3.58	9.44	539.55	545.94	545.15	544.21	433.85
5	Engineering Contractors (12)	351.81	−0.7	19.10	6.43	7.08	354.11	360.49	358.99	356.03	289.23
6	Mechanical Engineering(73)	175.55	−1.5	18.93	6.32	7.04	178.15	181.09	180.50	179.73	157.73
8	Metals and Metal Forming(16)	157.78	−1.0	17.64	9.11	7.88	159.34	161.34	160.81	160.15	163.75
	CONSUMER GOODS										
11	(DURABLE)(53)	200.64	−1.0	17.58	5.40	7.60	202.69	206.98	205.03	204.74	185.01
12	Lt. Electronics, Radio, TV (16)	257.31	−1.0	14.72	4.06	9.52	259.91	266.01	263.33	261.41	222.8[illegible]
13	Household Goods (12)	163.80	−0.5	18.46	7.09	7.45	164.65	166.08	164.86	164.88	169.55
14	Motors and Distributors (25)	112.40	−1.1	22.77	7.53	5.52	113.49	115.94	116.32	115.68	112.35
	CONSUMER GOODS										
21	(NON-DURABLE) (170)	207.15	−1.0	16.84	6.23	7.84	209.26	212.02	211.12	209.74	190.02
22	Breweries (14)	225.02	−0.9	16.97	6.68	7.48	226.95	230.04	229.67	229.90	213.07
23	Wines and Spirits (6)	291.20	−0.8	15.95	5.12	9.21	293.52	298.58	296.09	294.92	239.88
24	Entertainment, Catering (17)	270.71	−1.3	16.17	6.99	8.18	274.33	279.24	278.73	277.11	205.31
25	Food Manufacturing (19)	196.85	−0.5	19.09	5.64	6.98	197.77	199.24	199.16	196.82	188.28
26	Food Retailing (15)	228.95	−0.9	14.10	5.14	9.65	231.09	233.87	233.36	230.02	186.25
32	Newspapers, Publishing (12)	377.30	−0.5	21.73	6.48	6.53	379.26	383.34	381.48	381.21	321.93
33	Packaging and Paper (15)	134.07	−1.3	18.82	7.86	6.95	135.81	137.36	138.36	136.43	121.46
34	Stores (40)	188.22	−1.4	12.92	5.06	11.10	190.91	194.05	193.56	192.56	177.38
35	Textiles(23)	174.36	−0.9	18.49	8.60	7.00	175.97	178.90	176.55	175.98	171.54
36	Tobaccos (3)	249.02	−0.8	22.89	7.98	5.11	250.97	253.05	248.40	247.02	226.77
37	Toys and Games (6)	91.64	−1.9	24.21	7.09	4.87	93.44	93.90	92.95	92.62	98.3[illegible]
41	OTHER GROUPS (99)	191.64	−1.2	16.13	6.52	7.97	193.89	195.62	195.55	194.80	184.65
42	Chemicals (19)	272.33	−0.7	16.34	6.95	7.97	274.30	276.03	276.23	275.94	249.08
43	Pharmaceutical Products (7)	235.35	−1.1	11.81	4.94	10.26	237.98	239.88	239.95	239.05	246.28
44	Office Equipment (6)	125.37	−1.4	17.37	6.43	7.01	127.21	129.34	127.57	127.27	126.92
45	Shipping (10)	412.67	−0.8	14.66	7.37	8.65	415.91	420.39	421.42	424.43	451.01
46	Miscellaneous (57)	208.38	−1.6	18.62	6.92	7.09	211.87	214.02	214.11	212.16	193.75
49	INDUSTRIAL GROUP(494)	214.28	−1.1	16.99	6.15	7.80	216.77	219.58	218.90	217.67	198.0[illegible]
51	Oils(6)	535.57	+1.8	13.04	3.76	8.34	526.01	522.20	514.41	509.53	440.8[illegible]
59	500 SHARE INDEX	240.64	−0.7	16.33	5.76	7.89	242.26	244.57	243.40	241.89	218.5[illegible]
61	FINANCIAL GROUP(115)	167.97	−1.4	—	5.80	—	170.30	172.73	172.12	170.31	161.6[illegible]
62	Banks(6)	198.19	−1.5	23.77	5.94	6.30	201.13	206.01	207.12	204.61	181.9[illegible]
63	Discount Houses (10)	206.24	−0.5	—	8.85	—	207.36	210.57	211.59	210.78	198.[illegible]
64	Hire Purchase (5)	159.52	−1.6	20.03	5.48	6.41	162.05	164.99	164.61	165.44	157.[illegible]
65	Insurance (Life) (10)	129.47	−1.8	—	7.26	—	131.90	132.76	131.97	131.77	137.[illegible]
66	Insurance (Composite) (7)	117.97	−1.6	—	7.43	—	119.89	122.20	122.01	119.78	126.[illegible]
67	Insurance Brokers (10)	382.34	−1.7	15.78	5.61	9.04	387.69	389.72	389.96	384.94	387.[illegible]
68	Merchant Banks (14)	78.11	−1.2	—	6.42	—	79.02	80.19	80.05	79.76	77.9[illegible]
69	Property (43)	280.99	−0.9	3.77	2.88	42.56	283.43	284.24	281.82	278.14	236.01
70	Miscellaneous (10)	113.54	−0.9	19.71	6.94	6.30	114.56	115.62	113.41	112.79	104.2[illegible]
71	Investment Trusts (111)	211.30	−0.9	—	5.05	—	213.12	213.88	212.59	211.75	182.1[illegible]
81	Mining Finance (4)	118.89	−1.9	15.81	5.99	7.79	121.18	119.06	120.29	117.73	87.9[illegible]
91	Overseas Traders (20)	319.10	−1.1	15.38	7.49	8.20	322.58	324.47	323.88	323.28	266.9[illegible]
99	ALL-SHARE INDEX (750)	222.22	−0.8	—	5.76	—	224.09	226.17	225.20	223.62	201.95

FIXED INTEREST PRICE INDICES

	British Government	Tue., Feb. 6	Day's change %	xd adj. today	xd adj. 1979 to date
1	Under 5 years	101.27	−0.08	—	0.76
2	5-15 years	104.51	−0.16	0.21	1.10
3	Over 15 years	107.94	−0.40	0.17	1.55
4	Irredeemables	114.53	−0.47	—	0.39
5	All stocks	104.53	−0.23	0.10	1.09

FIXED INTEREST YIELDS Br. Govt. Av. Gross Red.

			Tue., Feb. 6	Mon., Feb. 5	Year ago (approx.)
1	Low Coupons	5 years	10.52	10.49	[illegible]
2		15 years	12.29	12.22	[illegible]
3		25 years	12.33	[illegible]	[illegible]
4	Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5		15 years	[illegible]	[illegible]	[illegible]
6		25 years	[illegible]	[illegible]	[illegible]
7	High Coupons	5 years	[illegible]	[illegible]	[illegible]
8		15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		12.74	12.67	[illegible]

		Tues., Feb. 6 Index No.	Yield %	Mon. Feb. 5	Fri. Feb. 2	Thur. Feb. 1	Wed. Jan. 31	Tues. Jan. 30	Fri. Jan. 26	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	58.86	14.01	58.75	53.20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16	Investment Trust Prefs. (15)	48.15	14.60	48.24	48.25	49.50	50.12	50.12	50.76	57.61
17	Coml. and Indl. Prefs. (20)	69.66	13.50	69.80	70.20	70.85	71.14	71.14	71.05	77.27

‡ Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

AUTHORISED UNIT TRUSTS

ManuLife Management Ltd.

St. George's Way, Stevenage. 0438 56101

Growth Units	56.8	59.8	.....	4.25

Mayflower Management Co. Ltd.

14-18, Gresham St., EC2V 7AU. 01-606 8099

Income Feb. 6	107.0	112.7	−1.3	8.81
General Feb. 6	70.0	73.7	−0.2	6.14
Internl. Feb. 6	47.1	49.6	+0.9	3.00

Mercury Fund Managers Ltd.

30, Gresham St., EC2P 2EB. 01-600 4555

Merc. Gen. Feb. 7	206	219.2	+9.4	4.40
Acc. Units Feb. 7	271.9	289.3	+11.6	4.40
Merc. Int. Feb. 7	69.7	74.2	−0.4	3.62
Acc. Units Feb. 7	76.1	81.0	−0.3	3.62
Merc. Ext. Jan. 25	246.1	256.4	.....	5.18
Accm. Units Jan. 25	298.3	318.7	.....	5.18

Midland Bank Group Unit Trust Managers Ltd.♥ (a)

Courtwood House, Silver Street, Head, Sheffield, S1 3RD. Tel: 0742 79842

Commodity & Gen.	72.1	[illegible]	[illegible]	4.93
Do. Accum.	85.3	93.2	[illegible]	4.93
Growth	37.3	[illegible]	[illegible]	3.34
Do. Accum.	40.4	[illegible]	[illegible]	3.34
Capital	26.9	[illegible]	[illegible]	3.91
Do. Accum.	29.7	[illegible]	[illegible]	3.91
Income	51.3	[illegible]	[illegible]	7.22

[illegible]

Stewart Unit Fund Managers

[illegible] Field St., EC2M 7AL. 01-638 4485

[illegible] Jan. 26	175.1	186.8	.....	5.14

[illegible] Winchester Fund Mngt. Ltd.

[illegible]ry, EC2. 01-606 2167

[illegible]inchester	18.0	19.6	.....	4.96
[illegible]ester O'seas	18.2	20.3	.....	4.36

[illegible] & Dudley Tst. Mngmnt. Ltd.

[illegible]gton St., S.W.1. 01-499 7551

[illegible] Dudley Tst.	65.3	73.4	.....	7.00

[illegible] & Law Un. Tr. M.♥ (a)(b)(c)

[illegible]m Rd., High Wycombe. 0494 33377

[illegible] Law	67.0	70.5	−0.6	4.44

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(Accum. Units)	180.4	[illegible]	[illegible]	[illegible]
Japan	174.6	185.9	−3.2	3.33
(Accum. Units)	177.2	188.7	−3.2	3.33
Magnum	230.9	[illegible]	[illegible]	4.48
(Accum. Units)	270.4	[illegible]	[illegible]	4.48
Midland	185.4	[illegible]	[illegible]	7.26
(Accum. Units)	314.4	[illegible]	[illegible]	7.26
Recovery	93.3	[illegible]	[illegible]	3.52
(Accum. Units)	97.4	[illegible]	[illegible]	3.52
Second Gen.	178.6	[illegible]	[illegible]	5.28
(Accum. Units)	276.4	[illegible]	[illegible]	5.28
Smaller Companies	177.5	190.8	[illegible]	4.02
(Accum. Units)	225.7	[illegible]	[illegible]	4.02
Specialised Funds				
Trustee	148.3	156.5	−1.6	6.69
(Accum. Units)	294.8	311.0	−3.1	6.69
‡‡Charibond Jan. 30		103.3	.....	12.90
‡‡Charifund Feb. 6	146.6	148.8	+0.8	8.00
(Accum. Units)	195.1	198.0	+1.2	8.00
Pens. Ex. Feb. 5	145.5	151.4	.....	5.85

CORAL INDEX: Close 452-457

INSURANCE BASE RATES

†Property Growth	12%
†Vanbrugh Guaranteed	12.62%

†Address shown under Insurance and Property Bond Table.

INSURANCE AND PROPERTY BONDS

[illegible]

OFFSHORE AND OVERSEAS FUNDS

[illegible]

J.E.T. Managers (Jersey) Ltd.

P.O. Box 98, Channel House, Jersey. 0534 73673

Jersey Extrnl. Tst.	175.0	185.0	+8.0	—

As at Jan. 31. Next sub. day Feb. 28.

Jardine Fleming & Co. Ltd.

46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$291.89	.....	2.60
Jardine J'pn.Fd.*	HK$415.66	.....	0.80
Jardine S.E.A.	$US17.59	.....	2.00
Jardine Flem.Int.	HK$12.02	.....	—
Intl.Pac.Secs.(Inc.)	HK$13.67	.....	—
Do. (Accum.)	HK$13.86	.....	—

NAV Jan. 15. *Equivalent US$87.38. Next sub. day January 31.

Warburg Invest. Mngt. Jrsy. Ltd.

1, Charing Cross, St. Helier, Jsy. CI 0534 73741

CMF Ltd. Jan. 25	$US14.45	14.82	.....	2.90
CMT Ltd. Jan. 25	£14.81	£15.20	.....	2.80
Metals Tst. Jan. 18	£12.93	13.25	.....	6.30
TMT Jan. 11	$US10.46	10.94	.....	2.86
T.M.T. Ltd. Jan. 11	£10.57	10.84	.....	1.26

World Wide Growth Management♦

10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$US16.02	+0.05	—

Wren Commodity Trust

10, St. George's St., Douglas IoM 0624 25015

Wren Commod. Tst.	111.7	112.8	.....	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. e Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. § Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

FT SHARE INFORMATION SERVICE

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Five to Fifteen Years

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Undated

INTERNATIONAL BANK

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LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1978-79 High	Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
24	17	Antofagasta Rly....	22	......	—	—
41	33	Do. 5pc Pref......	40	......	—	—
98	98	Chilean Mixed.....	98	......	—	f3.10
22	6	Chinese 4½pc 1898	19½	......	—	—
35	4½	Do. 5pc 1912	31	......	—	—
20½	4½	Do. 5pc 1925 Boxer	18½	......	—	—
415	350	German Yng. 4½pc	415	......	4½	—

BONDS & RAILS—Cont.

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 49¼% (based on US$1.9940 per £) Conversion factor 0.6704 (0.6704)

CANADIANS

S.E. List Premium 49¼% (based on $2.3814 per £)

BANKS AND HIRE PURCHASE

1978-79 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Gr's	P/E
199	157	Gerrard Natnl.....	182	......	g9.12	—	7.5	—
59	57	Gibbs (A.)........	46	-1	2.23	—	7.2	—
255	195	Gillett Bros. £1..	220	......	15.41	—	10.5	—
29	19	Goode D't Mry.5p	20	......	0.13	—	0.9	—
142	96	Grindlays.........	127	-1	2.79	7.1	3.3	4.5
130	93	Guinness Peat ..	105	-5	H5.67	—	8.2	—
217	155	Hambros	182	-3	†9.76	—	8.0	—
100	81	Hill Samuel	81	......	†4.97	—	9.2	—
600	60	Do. Warrants..	60	-2	—	—	—	—
360	203	Hong Shng.$2.50	300	-8	h0.59c	—	2.3	—
69	52	Jessel Toynbee .	60	......	g3.65	—	9.1	—
215	150	Joseph (Leo) £1..	155	......	8.74	—	8.4	—

BANKS & HP—Continued

Hire Purchase, etc.

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INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

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PAPER, PRINTING ADVERTISING

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PROPERTY

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PROPERTY—Continued

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SHIPPING

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SHOES AND LEATHER

[illegible]

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Investment Trusts

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[illegible]

Finance, Land, etc.

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OILS

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OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

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[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

CENTRAL AFRICAN

[illegible]

MINES—Continued

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

104	54	Messina R0.50	102	-2	—	—	—

MISCELLANEOUS

74	35	Barynin	70	......	—	—	—
17	9	Burma Mines 17½p	12	......	—	—	—
325	165	Cons. Murch. 10c.	325	......	—	—	—
465	245	Northgate C$1	400	......	—	—	—
284	164	R.T.Z.	278	-6	9.5	2.8	5.1
90	90	Sabina Inds. C$1	58	-7	—	—	—
£12	687	Tara Exptn. $1	860	+4	—	—	—
225	120	Yukon Cons. C$1	225	+10	Q7c	2.9	1.5

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

$15¼	$10¼	Buffels R1	$13⅝	......	Q190c	♦	16.1
$11½	830c	East Drie R1	$11¼	+⅛	Q115c	♦	11.8
585c	330c	East Rand Prp. R1	425c	-5	Q10c	—	—
$28⅝	$16½	F.S. Geduld 50c	$24	+⅜	Q315c	2.4	15.1
$15⅛	975c	Pres. Brand 50c	$13⅜	......	Q150c	3.2	12.9
$13⅜	900c	St. Helena R1	$13	......	Q190c	1.4	16.8
500c	313c	Stilfontein 50c	500c	......	Q66c	2.3	15.2
$23	$16¼	Vaal Reefs 50c	$23	+⅜	Q280c	♦	14.0
$37	$25	West Drie R1	$34¼	+1¼	†Q385c	1.7	12.9
$31¼	$19	West Hldgs. 50c	$29¼	+¼	Q415c	1.4	16.3
$13	895c	Western Deep R2	$12¾xd	+⅛	Q147½c	2.4	13.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent, or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent, and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- A Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- †† Unlisted security.
- ※ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✝ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stay unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 32

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

[illegible]

IRISH

[illegible]

OPTIONS

3-month Call Rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Wednesday February 7 1979

Verdict poses problem for Pakistan leader

Bhutto death sentence confirmed

BY CHRIS SHERWELL IN ISLAMABAD

PAKISTAN'S Supreme Court yesterday presented General Zia-Ul Haq, the country's military ruler, with a political and legal dilemma when it confirmed by a 4—3 majority Mr. Zulfikar Ali Bhutto, the the death sentence against country's deposed Prime Minister.

The verdict stunned people in court because the split was much closer than expected. Reaction in the country at large was subdued in the face of massive security precautions by the martial law authorities, and demonstrations were small.

The four judges from the dominant Punjab province upheld conviction and sentence on all charges. The remaining three, all non-Punjabis, acquitted him on all counts.

One of Mr. Bhutto's lawyers commented: "It's Punjabi justice."

One of Pakistan's fundamental sources of political and constitutional friction since the loss of Bangladesh has been the balance of power between the country's four provinces. The decision might revive old differences and lead to further trouble.

Mr. Bhutto took the decision calmly and courageously, his lawyers said last night. But he is said to have described the division of the bench along provincial lines as disastrous for the country.

Mr. Bhutto's wife, Begum Nusrat Bhutto, escaped from house arrest to go to Rawalpindi district jail, where her husband is in the death cell. She was manhandled into a jeep and taken home, where she is virtually under lock and key—but not before she had managed to spend 30 minutes with Mr. Bhutto in his cell.

Mr. Bhutto's lawyers are to submit a review petition asking for a reconsideration of the verdict. The petition will challenge the judges' appreciation of the evidence and interpretation of the law. After lengthy arguments yesterday, the court effectively gave the defence seven days to file the petition, the same allowed for any mercy petition.

General Zia-Ul Haq is obliged to consider only a mercy petition from Mr. Bhutto, although anybody may submit one and General Zia has power to commute the sentence. Mr. Bhutto, who is 51, has always said that he would not plead for mercy. His senior counsel, however, said yesterday that General Zia should exercise his power immediately.

General Zia's record on mercy petitions offers little hope: he has turned all down since he came to power by ousting Mr. Bhutto. The legal complication in yesterday's verdict is that there is no reliable precedent for an execution's going ahead on the basis of a split decision.

Writing the 828-page majority judgment, Mr. Anwar-ul-Haq, Chief Justice, said the prosecution had established its case. Mr. Bhutto had misused the instruments of state power in employing the Federal Security Force for a political vendetta, and used his power to stifle investigation.

The case against Mr. Bhutto was not politically motivated and the Lahore trial court was not biased, as Mr. Bhutto contended. On the contrary, Mr. Bhutto was biased against the court.

The three dissenting judges, in 650-page judgments, argue that Mr. Bhutto and Mr. Mian Mohammed Abbas, who allegedly arranged the crime, should be acquitted. They uphold conviction and sentence against the other three accused: Mr. Ghulam Mustafa, Mr. Arshad Iqbal and Mr. Rana Iftikhar Ahmad.

Our Foreign Staff adds: Mr. James Callaghan, told the Commons yesterday that he had appealed for clemency for Mr. Bhutto and made "official representations" to General Zia. The Government, however, has stopped short of breaking off diplomatic relations and Dr. David Owen, Foreign Secretary, rejected an appeal from Mr. David Steel, the Liberal Leader, to recall the British Ambassador to Pakistan.

Dr. Kurt Waldheim, United Nations Secretary-General, asked that Mr. Bhutto be spared on humanitarian grounds, his third appeal for clemency.

Several heads of Government have also appealed. Mr. Bulent Ecevit, the Turkish Premier, has offered to let Mr. Bhutto live in exile in Turkey if General Zia commutes the sentence.

Callaghan urges clemency for Bhutto, Page 10

THE LEX COLUMN

The corset is bulging

If they were not before, the warning lights must now be flashing inside the Bank of England and the City's banking parlours following yesterday's banking figures. In the January banking month eligible liabilities rose by 2.2 per cent and the interest bearing element (Ibels), which show how well the banks are fitting inside the corset, rose by a whopping 4.7 per cent. To put this in perspective the banks' Ibels rose by 2.7 per cent in the previous 11 months.

As always the authorities are counselling caution. There was so much money flowing in different directions during the period under scrutiny that it is dangerous to draw conclusions about longer term trends. The figures have been inflated partly by currency inflows and the impact of the November tax rebates.

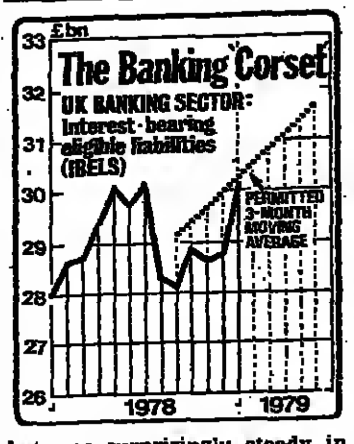
However, there seems no reason to believe that the full money supply figures, due on Thursday week, are going to be anything but dismal. There is a strongly unfavourable seasonal adjustment during January which adds £950m to sterling M3, and even assuming that some of the distortions in the money market do not show through, the money supply is likely to have grown by between 2 and 3 per cent last month. In the three months since October, the latest base month for the money stock, sterling M3 has probably been growing at an unmalised rate of around 15 per cent, well above the 8-12 per cent official target range.

For the banks, which until now have been running rings round the corset, the latest figures are equally disturbing. To maintain their lending, they have allowed their reserve asset ratios to come under pressure and they have had to start bidding more aggressively for funds which has pushed them closer to the corset ceiling.

Since the end of the banking month interest rates have risen by nearly a point and a half which means that borrowers will be switching to the clearing banks for finance. This can only exacerbate the latter's problems in relation to the corset. The last time the banks' reserve assets came under pressure special deposits were released. But this time this is unlikely to occur because the authorities can hardly argue (as they did before) that the liquidity crunch was due to unusually heavy gilt sales. The pressure is on the banks to put up their interest rates or cut back lending—or perhaps both.

Although showing further small losses, the gilt-edged mar-

Index fell 5.9 to 454.8



ket was surprisingly steady in the face of yesterday's news. Yields at the long end range to 14½ per cent—though only 14½ per cent for the long tap—and the market looks to be searching for another level at which a further chunk of institutional money might go in.

Certainly the authorities will want to sell some more public sector debt in the current banking month and they still have two weeks in which to add some gilt-edged sales to the recent surge in sales of National Savings Certificates, thanks to the changeover from the 14th to the 18th issues. Several times in the past year a rise in MLR has been the trigger for the reopening of taps at lower prices. But this time a straight rise in interest rates may not be enough—the market will want promises that the oversized monetary weapon is at last to receive some fiscal support.

Marine Midland

The decision in the Marine Midland tax case could remove a nasty cloud which for the past five years has been overhanging consortium banks and other banks with foreign currency denominated loan capital operating in London. In simplest terms it appears to mean that Marine Midland will be allowed to cancel out the sterling translation gains on foreign assets with the related losses arising from the conversion of U.S. dollar subordinated unsecured loan stock into sterling. But it is too early yet to be certain the matter is over and done with. Indications yesterday were that the Inland Revenue and Marine Midland are not entirely in accord on the interpretation of the decision. In any case the chances are that the Revenue will appeal against the decision.

Peugeot-Citroen

Peugeot-Citroen's share price dropped below FFr 400 yesterday, and the 18 per cent fall from the high levels reached last autumn puts the shares among the most conspicuous casualties of the Paris Bourse's present bout of nervousness. Last week the group produced satisfactory preliminary figures for 1978, with the Citroen side contributing rather more to growth than Automobiles Peugeot. But the excitement that accompanied the takeover of Chrysler Europe has subsided and some of the French investment institutions seem to be having second thoughts about the deal.

Iran has had a lot to do with this change of heart. Not only is Peugeot directly involved there through a plant just starting to produce the Peugeot 305 under licence, but the suspension of Chrysler UK's sales of knocked down kits to Iran has led to lay-offs in Coventry and may have brought the British company losses in the second half of 1978 to well over £30m. Peugeot's earlier estimate of FFr 100m losses from Chrysler Europe as a whole in 1978 now looks decidedly optimistic.

Oil supply problems might also damage the French car market's buoyancy. Already the poor weather has had a depressing effect, and sales of the 305 and Horizon models appear to have reached a plateau. At the same time the group is taking on the excess capacity of Chrysler UK and the new plants being built, partly with government grants, in high unemployment areas in France.

At the very least the group will have to bring Chrysler France back into profit quickly enough to offset any losses the British business might still be making in 1980. During that year full consolidation of Chrysler Europe will begin and the 1.8m new Peugeot shares ceded to Chrysler Corp will rank for dividend, so that UK losses could make a nasty dent in earnings per share. Productivity is reported to be improving at the Chrysler UK plants and labour relations have been tolerable so far. But the ideal outcome of the Chrysler takeover—Peugeot repeating its success with Citroen, buying a company at the turning point of its fortunes just as a new model range is producing benefits—is a long way from being discounted by the Peugeot shares, now trading on a p/e of about 2.8.

Mineworkers' union to study new Coal Board pay offer

BY DAVID CHURCHILL

THE FULL executive of the National Union of Mineworkers is to meet tomorrow to consider a "marginal" increase in the National Coal Board's 3.5 per cent pay offer.

But the offer, made after five hours of talks at the board's London headquarters yesterday, is still nowhere near the rises of up to 40 per cent sought by the miners' union.

Mr. Mick McGahey, the union's vice-president who led yesterday's pay talks in the absence through illness of Mr. Joe Gormley, union president, said that the two sides "were marginally closer but substantially more than the sum on offer will be needed to satisfy us."

He said that yesterday's meeting had considered the board's suggestions for a different distribution of the £50m kitty the NCB has said is available for wage rises.

But Mr. McGahey made clear that tihs would not be enough to meet the miners' demands, and he confirmed that a meeting would be sought with the Prime Minister next week to see if more Government aid was forthcoming for the board to enable it to meet the pay claim.

Tomorrow's meeting of the union's national executive is likely to consider demands for industrial action in support of the claim.

Although Mr. McGahey pointed out yesterday that the present pay agreement did not expire until the end of this month, he is expected to push his Scottish Area executive's call for a pit-head campaign in support of the pay claim.

Such a campaign could take the form of an overtime ban, selective strikes or an all-out stoppage, although this would require a ballot of the union's 260,000 members.

The union's claim is for the coal faceworker's rate to be increased from £78.44 to £110 a week and the minimum surface rate to rise from £54.86 to £66.66 a week.

Domestic coal stocks low, Page 6

World wheat price talks close to breakdown

BY BRIJ KHINDARIA IN GENEVA

NEGOTIATIONS for a new international wheat agreement to control world prices are close to breaking down over differences between the U.S. and almost all of its trading partners.

If no solution is found in the two remaining days of the Geneva conference, most participating countries are expected to decide that a new agreement is unobtainable.

The only alternative would be to renew the existing wheat agreement, which does not include controls over prices and supplies.

The objective of a new international wheat agreement would be to stabilise world market prices by regulating available supplies. Reserve stocks would be built up when supplies were abundant, as at present, and this would prevent prices from falling too low.

These stocks could also be used to keep prices from rising too high in the event of a shortage.

A European Community official said the main disagreements were between the U.S. and developing countries. The most difficult issue is the price at which wheat would be released from reserve stocks built up by removing surplus supplies to boost prices. The U.S. is insisting on a price of $215 a tonne while developing nations would prefer $155. The community has suggested a compromise of $195 but the U.S. has refused to move.

While the U.S. and the EEC have broadly decided on the lower price point at which surplus wheat would be bought to add to reserve stocks, Canada—a major exporter—has yet to be persuaded to agree.

Under the U.S.-EEC understanding, wheat would be bought when the price falls to $140 a tonne to take up half the maximum buffer stock allowance. The second half would be filled if the price falls to $125.

The U.S. is also adamant that it will hold only 5m tonnes as reserve stocks out of a world total of between 22m and 30m tonnes.

The EEC officials said the U.S. offer did not reflect its dominance in the world wheat export market. With 30m tonnes of exports, the U.S. accounted for half the international trade in wheat.

The U.S. had asked the EEC to hold 4m tonnes in stocks instead of the 2.8m that the Community had offered. The U.S. demand was completely unacceptable, the official added.

Developing country negotiators said they would be very disappointed if the wheat talks broke down.

The developing countries are keen that the new arrangement should have an adequate buffer stock mechanism and an agreed system of maximum and minimum price levels to handle wheat market fluctuations.

The U.S. delegation is thought to be under severe pressure from domestic farm lobbies. The Community official said only a change in U.S. attitudes could save the conference from failure.

Our Commodities Editor writes: Conclusion of a new wheat agreement, between exporting and importing countries, is seen as part and parcel of the much wider multi-national trade negotiations. It is claimed that agreement on industrial issues depends to some extent on agricultural concessions. However, two attampts last year to negotiate a new wheat pact failed.

Food and Raw Materials, Page 31

Steel union seeks arbitration on claim

BY NICK GARNETT, LABOUR STAFF

THE STEEL INDUSTRY'S biggest trade union is attempting to take its pay claim to arbitration after the refusal yesterday of the British Steel Corporation to improve its 5 per cent offer.

Mr. Bill Sirs, general secretary of the Iron and Steel Trades Confederation, has sent a letter to all members of the Cabinet complaining bitterly that the Government is discriminating against the more responsible sectors of industry.

British Steel yesterday informed the union, which has 90,000 steelworkers, that it could not afford to improve the offer, and was in any case subject to tight Government restrictions.

The union's claim is for 8 per cent, with 4½ per cent productivity payments for rationalisation that has already taken place; extra holidays; and a shorter working week.

Mr. Sirs said after yesterday's talks that under present circumstances the union was not seeking a great deal, and that British Steel was being "sat on" by the Government.

He saw the only way out of the dispute as taking the claim to arbitration.

The industry's union national craft committee, however, is understood to be recommending industrial action, possibly within the next few weeks.

The union has already been in contact with the Advisory Conciliation and Arbitration Service. BSC said that it was reserving its position on arbitration.

Mr. Sirs said steelworkers were disgusted with the way the Government had acted. Many were calling for industrial action and there was not the least chance that the Government would be returned to power if it continued to behave as it was doing.

In the letter Mr. Sirs said the union has decided to put the claim to arbitration at the earliest possible time "rather than add to the conflagration by indulging in precipitate action."

Meeting on plant closures, Page 10

Britain balks at Chinese plan to pay with coal

BY JOHN LLOYD

NEGOTIATIONS on the sale of mining machinery and the provision of mining consultancy services to China reckoned to be worth well over £100m in the immediate future, have stalled because the Chinese want the UK to accept substantial amounts of coal in part payment.

Britain is unwilling to accept payment in this form when its own domestic markets for most coals are weak, and when the National Coal Board is trying to persuade importers, like the British Steel Corporation, to reduce foreign coal purchases.

Dr. Morgan Barber, the director of PD-NCB, the Board's consultancy division jointly operated with Powell Duffryn, said yesterday the Chinese Government's proposal presented the UK with "considerable problems."

Mining machinery is an important potential export to China, and one which Mr. Eric Varley, the Industry Secretary, will push strongly when he visits Peking later this month.

UK mining machinery manufacturers won a £100m order from China last year, and are looking for further, possibly larger, contracts in the coming year. A manufacturers' delegation is to visit China shortly.

PD-NCB is negotiating with the Chinese Ministry of Coal for consultancies on two large mining developments in Shaanxi Province and Japanese and German groups are also involved in negotiations with the Ministry.

Dr. Barber said the Chinese proposal was that Britain should take coal from the mines which PD-NCB developed. He said the UK had proposed that it would use its "good offices" to attempt to sell the coal elsewhere.

However, similar proposals were being put to the German groups negotiating for mining contracts, and it might be that both countries would be competing in trying to sell Chinese coal.

He said the Chinese Government aimed to sell around 60m tonnes of coal a year on the open world market by 1985, representing a very big increase in world coal trade.

Weather

UK TODAY

BRIGHT or sunny intervals. Rather cold. Rain in places.

London, E. England, Cent. N. England

Mostly dry, bright or sunny intervals. Max 3C (37F).

S.E. and Cent. S. England

Cloudy. Some rain. Rather cold. Max 4C (39F).

W. Midlands, N. W. England, Lake District, W. Scotland

Cloudy. Occasional rain, sleet or snow on high ground. Max 4C (39F).

Channel Isles, S.W. England, Wales, Isle of Man, N. Ireland

Cloudy with some rain. Max 4C (39F).

Cent. and E. Scotland

Sleet or snow at times, becoming colder.

● Outlook: Some rain. Snow in parts of the North and East.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	14	57	Lisbon	C	15	59
Amsdm.	Fg	—3	27	Locarno	S	11	52
Athens	R	12	54	London	S	3	37
Bahrain	S	20	68	Luxmbg.	C	—2	28
Barcina.	C	18	64	Madrid	C	14	57
Belfast	C	4	39	Majorca	F	22	72
Belgrd.	C	5	41	Malaga	C	18	66
Berlin	C	—1	30	Malta	C	16	61
Biarritz	C	16	61	Mchstr.	S	2	36
Bmghm.	S	2	36	Melbne.	C	21	70
Blackp'l	S	2	36	Milan	Fg	4	39
Bordx.	C	14	57	M'ntreal	C	—4	25
Boulgn.	C	—1	30	Moscow	C	—4	25
Bristol	C	1	34	Munich	C	—1	30
Brussels	F	—1	30	Nairobi	S	24	74
Budpst.	C	5	41	Nwcstl.	F	1	34
B. Aires	S	28	82	N. York	S	—6	21
Cairo	S	20	68	Nice	S	12	54
Cardiff	C	1	34	Nicosia	S	19	66
Cas'b'ca	F	24	75	Oporto	R	14	57
Cape T.	S	25	77	Oslo	Sn	—9	16
Chicago	C	—9	16	Paris	C	3	37
Cologne	S	1	34	Perth	S	31	88
Cpnhgn.	S	—1	30	Prague	S	—1	30
Corfu	C	16	61	Reykjvk.	C	—8	18
Dublin	C	5	41	Rhodes	C	15	61
Dbrvnk.	C	13	55	Rio J'o	C	25	80
Ednbgh.	F	2	36	Rome	S	18	61
Faro	C	18	61	Salzb'rg	Sl	1	34
Frankft.	S	2	36	Singpr.	S	29	85
Geneva	C	8	45	Stckhm.	S	—12	10
Gibrltr.	F	20	68	Sydney	C	23	73
Glasgow	F	2	36	Tangier	C	17	63
G'rnsey	R	4	39	Tehran	S	5	42
Hlsnki.	Sn	—18	5	Tel Aviv	S	19	66
H. Kong	S	18	64	Tokyo	S	11	53
Innsbrk.	C	2	36	Toronto	C	—12	10
Invrnss.	S	—1	30	Tunis	S	19	66
I.o.Man	F	4	39	Valencia	S	23	73
Istanbul	F	15	59	Venice	S	6	43
Jersey	C	4	39	Vienna	S	3	37
Jo'burg	S	25	77	Warsaw	Sn	—6	21
L. Plms.	S	22	72	Zurich	C	2	35

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

Continued from Page 1

Money supply

It is difficult to read directly from the eligible liability figures to sterling M3, because there are several important intervening influences this month which will boost the former, but be absent from the money supply.

These include the results of pressures of the reserve assets of the banks; a big rise in overseas sterling deposits; and an increase in discount market deposits with the banks.

These factors should partially, though not wholly, offset the boost to sterling M3 from seasonal adjustments of £950m in January.

The likely rise of between 2 and 3 per cent in the month probably exaggerates the underlying trend because of the impact of the early winter tax rebates, the surrender of Certificates of Tax Deposit and inflows from abroad.

The banking system as a whole was still within the ceilings set out under the so-called corset controls on the growth of its interest-bearing liabilities. But four banks were above the permitted limit, compared with five in mid-December.

The London clearing banks announced yesterday that sterling advances by them to the UK private sector rose by £1.03bn in the month to mid-January.

After deducting half-year's interest and tax payments, and allowing for reversal of earlier special factors, the underlying rise may have been about £200m, the same as in recent months.

But this may understate the extent of the rise in lending by banks as a whole.

Government suffers Lords defeat over Prices Bill

BY ELINOR GOODMAN, LOBBY STAFF

THE GOVERNMENT'S plans for tightening up on price controls received a serious setback in the Lords yesterday when an amendment to the Price Commission (Amendment) Bill which would protect the profits of companies faced with higher imported raw material costs was passed by 113 votes to 72.

The amendment goes against the whole principle of the Bill, the intention of which is to remove the statutory profit safeguards in the controls and leave it to the Price Commission to decide whether a company can afford to have its prices frozen while they are investigated.

If accepted by the Commons, as seems possible, it could provide valuable relief for companies in sectors like the food and drink industries which use a high proportion of imported raw materials, although officials at the Department of Prices were last night sceptical about the practicality of the new clause.

When a similar amendment was proposed in the Commons by the Scottish Nationalists during the Bill's second reading it was deemed to be outside the scope of the Bill and was not debated. The amendment approved by the Lords yesterday had been re-phrased by the Liberals. When it goes back to the Commons it stands a reasonable chance of surviving since it was based on proposals originally put forward by the SNP.

The Government, however, will presumably contend that it makes nonsense of the Bill, as all definitions of what level of profits should be protected are being removed in other sections of it.

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